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**Working Party on the  
Accession of the Lao PDR**

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## **ACCESSION OF THE LAO PEOPLE'S DEMOCRATIC REPUBLIC**

### Memorandum on the Foreign Trade Regime

In a communication received on 16 July 1997, the Government of the Lao People's Democratic Republic (hereafter referred to as the "Lao PDR") applied for accession under Article XII of the Agreement Establishing the World Trade Organization (WTO).

At its meeting on 19 February 1998, the General Council established a Working Party (WT/ACC/LAO/2) with the following terms of reference "To examine the application of the Government of the Lao People's Democratic Republic to accede to the World Trade Organization under Article XII and to submit to the General Council recommendations which may include a draft Protocol of Accession." The membership is open to all WTO Members indicating their wish to serve on the Working Party.

In accordance with the established procedures (WT/ACC/1), the Secretariat is circulating the attached Memorandum on the Foreign Trade Regime received from the Government of the Lao People's Democratic Republic. WTO Members wishing to submit questions on the Memorandum are invited to do so by 30 April 2001 for transmission to the Lao PDR authorities.

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## **I. INTRODUCTION**

GDP per capita income of the Lao People's Democratic Republic (Lao PDR) was US\$400 in 1997. The Lao PDR is among 48 Least-Developed Countries (LDC). It is also a landlocked country. Eighty five per cent of the labour force are employed in agriculture, most of whom are subsistence agricultural cultivators. Educational and health standards are lower than in most developing countries. Infrastructure in the Lao PDR is severely underdeveloped. Most of the population operate in the part of the economy which is not monetised. Lack of infrastructure and low levels of skill and education in the community are the principal impediments to development in the Lao PDR.

In 1986, the Government of the Lao PDR adopted the New Economic Mechanism. This initiated a program of economic reform with the goal of stabilizing the economy and increasing growth by shifting from a centrally planned economy to a market oriented economy. The process of market reform is well advanced. The aim of the trade policy regime of the Lao PDR is to secure the economic benefits potentially available from integrating the market economy of the Lao PDR into the global market economy and international trade based on the multilateral trading system.

The strategy of market reform produced early economic benefits for the Lao PDR. Inflation was quickly brought down to single digit levels, the exchange rate stabilized and foreign direct investment and exports expanded. Growth since then has averaged seven per cent per annum. While considerable progress has been made with economic reforms, the institutional base of the market economy in the Lao PDR remains weak. There is a severe shortage of trained personnel and the physical and socio-economic infrastructure is inadequate. The fragility of the economy was illustrated by the impact of the Asian economic crisis since 1997. Inflation has increased and the currency has devalued considerably.

The foreign trade regime of the Lao PDR has been liberalized and made more transparent. The trade policy of the Lao PDR already closely accords with the principles which underpin the WTO. The principal instrument for regulation of imports is the customs tariff.

The Government of the Lao PDR has committed to accede to the World Trade Organization (WTO) to increase the integration of the Lao PDR into the multilateral trading system. All of the Lao PDR's major trading partners are either members of the WTO or are in the process of acceding to the WTO. The Government of the Lao PDR also expects that membership in the WTO will support the social economic development and the process of market-based reforms in the country.

## **II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE**

### **1. Economy**

#### **(a) General description (territory, population, economic specialization, main economic indicators)**

##### **- Geography**

The Lao PDR has an area of 236,800 square kilometres, stretching 1,700 km from north to south and between 100 and 400 km from east to west. The Lao PDR borders the Socialist Republic of Vietnam, the Kingdom of Thailand, the Kingdom of Cambodia, the People's Republic of China and the Union of Myanmar.

The Republic has a tropical climate. It is a landlocked country. Key trading partners are Thailand and Vietnam. Two thirds of the country is mountainous, ranging from 200 to 2,800 meters. This creates difficulties for communications and development. The Lao PDR also has an abundance

of rivers, including a 1,800 km stretch of the Mekong River. The combination of mountains and rivers creates great potential for development of hydropower.

The population of the Lao PDR is 4.6 million (1996). Population growth is projected at 2.6 per cent per annum. Population density is low, with 19 persons per square kilometre. Eighty-five per cent of the work force is employed in agriculture. The average household is 6.7 members. Vientiane City is the capital with a population of 300,000. The next largest urban centers are Savannakhet (109,000), Luang Prabang (69,000) and Pakse (55,000).

The population of the Lao PDR is ethnically diverse. Up to 53 ethnic groups have been identified. The population is generally categorized into three groups: the Lao Loum occupy the lowland plains, constituting 67 per cent of the population; the Lao Theung occupy the mountain slopes, constituting 22 per cent of the population; the Lao Soung live at over 1,000 meters, constituting 10 per cent of the population. The national language is Lao which is derived from Pali and Sanskrit.

#### - **Economic specialization**

Agriculture is the dominant source of production in the economy of the Lao PDR. It accounted for 52.02 per cent of Gross Domestic Product (GDP) in 1997. Industry contributed just over 20 per cent and Services nearly 25 per cent. There is a trend for the industrial sector to expand. Since 1992, the contribution of agriculture to GDP has fallen from 58 per cent to 52 per cent and the share of industry has risen from nearly 17 per cent to nearly 22 per cent. (See Table 1).

#### - **Main economic indicators**

	1994	1995	1996	1997	1998 est.
Agriculture	439,980 56.36	453,683.80 54.29	466,205.00 52.19	498,683.00 52.22	517,067.00 52.08
Industry	138,664 17.76	156,829.00 18.77	183,997.00 20.60	198,848.00 20.82	215,739.00 21.73
Services	185,376 23.75	204,345.10 24.45	221,615.00 24.81	238,296.00 24.95	249,708.00 25.15
Import duties	16,668 2.13	20,831.80 2.49	21,439.00 2.40	19,183.00 2.01	10,412.00 1.05
GDP at market price	780,657 100.00	835,689.70 100.00	893,265.00 100.00	955,009.00 100.00	992,925.00 100.00

(Source: Bank of Lao PDR)

The overwhelming majority of the population lives in rural areas. The agriculture sector employs 85 per cent of the workforce and generates just over half of the income of the Lao economy. The agriculture sector is based both on subsistence agriculture and commercial production, with subsistence agriculture providing the livelihood for the majority of farmers. Rice is the predominant crop, followed by other grains and pulses, vegetables, fruits, tobacco, and coffee, the latter mainly for export. In 1997, crops accounted for 50 per cent of agricultural production, livestock and fishery 38 per cent and forestry 11 per cent.

Rice is a predominant staple in the traditional diet of the Lao PDR, within the meaning given to that term in Annex 5, Section B of the Agreement on Agriculture. The Lao PDR is basically self-sufficient in rice in recent years, but its annual production of rice is subject to sharp reductions due to

drought and/or floods. The issue of food security remains a priority for the Government because of significant fluctuations in farmers' welfare and national economic performance.

Industry in the Lao PDR is dominated by small scale manufacturing, processing, construction and assembly plants, catering mainly for domestic consumption. There is virtually no heavy industry. Manufacturing contributes 75 per cent of industrial output, construction 16 per cent and mining and electricity and gas 8 per cent.

The share of the services sector has grown somewhat in recent years, corresponding with a significant shift of activity from the public sector to the private sector since 1988.

The natural geographic endowments of the Lao PDR is reflected in the composition of trade. Forest products, agriculture and electricity derived from hydropower are major export items. The major export from the industrial sector is garments. This industry developed after the transition to the market economy, drawing on the advantage of low costs. Most consumer and capital goods are imported, reflecting the low level of development and industrialization.

Nominal GDP in 1998 was estimated at 4,260 billion kip (US\$960 million). Growth in GDP has averaged 7.1 per cent between 1994 and 1997. (See Table 2).

	1994	1995	1996	1997	1998 est.
Agriculture	439.2	453.7	466.2	498.7	517.1
Crops	221.6	216.0	222.3	253.4	269.6
Livestock and fishery	172.6	179.0	183.9	188.3	193
Forestry	45.8	59.0	59.8	56.9	54.4
Industry	138.6	156.8	183.9	198.8	215.7
Mining and quarrying	1.7	1.7	2.7	3.6	4.1
Manufacturing	98.8	116.2	137.2	150.0	164.5
Construction	25.9	27.7	31.1	32.6	26.7
Electricity, gas, water	12.3	11.2	12.8	12.6	20.5
Services	185.4	204.3	221.6	238.3	249.7
Transportation, storage and communication	36.9	43.6	48.0	52.9	56.8
Wholesale and retail trade	63.2	69.0	76.7	85.0	102.3
Banking, insurance and real estate	8.5	12.0	11.7	12.7	1.6
Ownership of dwellings	27.5	28.4	30.1	30.9	28.1
Public wage bill	28.9	27.6	27.7	28.0	29.3
Nonprofit institutions	10.1	9.9	10.6	10.5	12.4
Hotels and restaurants	9.2	12.4	15.0	16.5	17.6
Other	1.1	1.3	1.4	1.5	1.5
GDP at factor cost (source: IMF)	764.0	814.9	869.6	935.8	982.5
Import duties	16.7	20.8	21.4	19.1	10.4
GDP at market prices	780.7	835.7	893.2	955.0	992.9
Change in GDP growth at constant market prices	8.1	7.0	6.9	7.2	4.0
GDP at current market prices	1,108	1,419	1,726	2,200	4,260

(Source: Bank of Lao PDR)

Over that period, the basic economic indicators in the Lao PDR remained relatively stable until towards the end of the period. Trends in key indicators are set out in Annex 1, Table II.3 and key financial and economic indicators are set out in Annex 1, Table II.4.

Fiscal policy was relatively stable. Government revenue as a share of GDP averaged 12 per cent and the average share of expenditure was just over 24 per cent. In most years, the Lao PDR had a deficit on the trade account. In 1997 and 1998, there was also deficit of the balance of payment (See Annex 1, Table II.4). Gross foreign reserves have held at levels between 1994 and 1997 which provide an average equivalent of two months of total imports. The ratio of external debt to GDP is high, reaching 55 per cent in 1997, running at an average of 42 per cent. In 1998 the debt-servicing ratio was estimated to be 8.4 per cent.

Growth in output in 1997 remained substantial at 6.5 per cent. But inflation accelerated to 26 per cent. The Bank of the Lao PDR reported that it further accelerated in 1998 to over 40 per cent. This was caused by the impact of the Asian currency crisis (Thailand is the Lao PDR's major trading partner). Growth in the economy was 4.0 per cent in 1998. A good rice crop resulted in higher growth in the agriculture sector in 1997 - up to 7 per cent from 2.8 per cent in 1996 - returning to 3.7 per cent in 1998. Growth in the industrial sector in 1998 was 8.5 per cent.

## **2. Economic Policies**

### **(a) Main directions of the ongoing economic policies, tactical and strategical goals of the economic policies, pricing policy, economic development plans, privatization plans, sectoral priorities, regional development plans, etc.**

#### **- Development objectives**

The 1996-2000 Socio-Development Plan lays down the Government's objectives for the period. The development strategy set out five general guidelines:

(i) Continued promotion of the market-oriented economy. The aim is to create a multi-sectoral economy with varied forms of ownership and production, services and distribution on market principles.

(ii) Development of the agricultural, industrial and service sectors. Production in all sectors is to be fostered, services being developed to promote the regional role of the Lao PDR in this sector. Seven main activities were set as the focus of the Plan:

- Agriculture and forestry. There are six main programs. The first is food production. The aim is to increase production of rice. In 1997 and 1998, a major program was undertaken to expand irrigation and infrastructure to expand the production of rice in the Lao PDR. A second program is to stabilize and reduce the incidence of shifting cultivation. The third program is to enhance commercial production.

Of particular interest is promotion of food products for export, including vegetables, livestock and commercial crops such as coffee. The fourth program is related to the development of irrigation systems. The fifth program concerns agriculture and forestry research. The sixth program is aimed at human resource development in this area.

- Industry-Handicraft. The aim is to increase the share of industrial production of national product. Several areas have been identified for development: including food processing, consumer goods, apparel, household utensils and furniture. Some sub-sectors have been identified as prospective for increased domestic consumption and exports such as power, mining and wood processing.

- Communication, Transport, Post and Construction. Improvement of communications is a key objective. Land transport is to be improved and international facilities and services for aviation are to be upgraded.
  - Other services. Tourism is to be promoted and foreign investment is to be encouraged. Tax reform would be promoted and financial administration is to be improved. The banking sector is to be developed to promote stability. In particular, it is to be reformed to rely on the market mechanism.
  - Rural development. Improved conditions in rural areas is a leading priority, following the strategies set out in strategy (iv).
  - Human resource development Strategies are to be developed to meet the urgent need for skilled personnel to meet the requirements of the Plan. This includes targets to achieve 70 per cent literacy for school age children and improved educational infrastructure and strategies to improve public administration.
  - Foreign relations. The integration of the Lao economy into the global economy is a key strategy.
- (iii) Development of regional economic structures. Development will be based on the principle that the economically stronger provinces will be able to assist less well-endowed provinces. Regional economic structures will be based on four areas. The north, where the strategy is to achieve food self-sufficiency and create a complete communication network and growing service sectors; the center, where the strategy is to make it the economic and political center of the country; the Savannakhet region in which all sectors are to be developed; and the south, where agriculture and forestry processing industries, as well as services, are to be developed.
- (iv) Concentration on rural development. The strategy is to reduce revenue inequalities between the urban and rural population for equality and social justice; to eradicate poverty in rural areas; and to help rural and mountain populations attain conditions for self-sufficient and market-oriented production, while strengthening village administration and preserving security and order in rural areas.
- (v) Expansion of external economic co-operation. Closer economic integration with the Southeast Asian nations as well as the multilateral trading system to develop national advantages and potential are highlighted.

This Plan has generally been followed. In the agriculture and forest sectors, major expenditure has been undertaken to expand irrigation to improve rice production, with the strategy of achieving self-sufficiency in rice production by 2000. Output of cash crops (coffee, sesame seeds, and tobacco) has continued to increase. However in the case of timber, the leading export product, returns fell in 1997 as a result of recession in Thailand and then a fall in the world price for timber following reduction of prices in Indonesia, a major supplier to world markets.

The timber sector is being reformed. Sustainable management policies have been introduced which include bans on exports of logs. The timber processing industry has been opened to private operators.

While the industrial sector expanded during most of the period of the plan, growth in the industrial sector slowed in 1997. Garment production, a major export industry, slumped in 1996

when the EC denied GSP access by the Lao PDR garment export producers following concerns about compliance with EC rules of origin. A number of factories, major employers in Vientiane, closed. A cloud remained over production until 1997, when the EC restored access on a year-by-year basis. Production of timber, the major export, also slowed. Drought also lowered electricity production, although a new hydro-power plant came on stream in 1998, doubling the country's electricity production.

Growth has been consistent in the service sectors in recent years, with wholesale and retail trade, transportation and communication growing at about 10 per cent in 1997. Growth slowed in 1998, due principally to difficulties in the banking sector.

- **Transition issues**

The transition process for the Lao PDR to a market economy has generally been easier than for other transition economies. Laos had a shorter period of central planning than most other centrally planned economies. The share of the economy that had been modernized and which had a direct economic stake in the centrally planned economic system was smaller than in others, so reform of the modern sector caused less disruption. The percentage of labour working in state-owned enterprises was smaller, so there was less reduction of employment. Finally, the economy of the Lao PDR remained relatively open during the period of central planning, particularly through agricultural trade with neighbouring countries.

- **Privatization**

By 1997, most of the state-owned enterprises of the Lao PDR had been privatized. Between 1989 and 1997, 132 state-owned enterprises had been privatized, with most small and medium sized enterprises having been privatized by 1996. The process of disposal was fairly evenly split between leasing and sale; sale being more common in recent years. In 1998, another 32 enterprises were scheduled for privatization. These were most small enterprises. They employed in total about 1100 workers and had a collective asset value of about US\$3 million. The program of privatization is shown in the Annex 1, Tables II.5 and II.6.

A pilot program was begun in 1996 to commercialize five companies - Electricite du Laos (EDL), Nam Papa Lao (NPL), Postes du Lao, Industrie Pharmaceutique No 2, and Imprimerie Nationale. The strategy was to convert and register the businesses as joint stock companies, appoint Boards of Directors, and agree on performance plans which set out commercial and financial objectives. Significant progress was made. EDL was restructured. Boards have been appointed for three companies, and plans were established to move the non-bank businesses to similar status by the middle of 1998. Restructuring of some companies will be necessary. Financial audits of the three holding companies engaged in logging have been undertaken, anticipating reorganization of them.

By 1999, of the 777 registered companies in the Lao PDR, 55, (7 per cent), were state-owned. The economic significance of the state-owned sector in the Lao PDR is now similar to that in many market economies.

- **Pricing policy**

The market sets the prices for most products in the Lao PDR. The Government maintains price surveillance of some strategic products, such as food staples and fuel. Pricing policy is neutral as regards to imported products compared to domestically produced products.

In accordance with the Notification 1051 of 4 November 1999, the Government may regulate prices of 20 products. Enterprises are required to report the prices of these products. The products

are: rice; sugar; monosodium glutamate; soy sauce, fish sauce, vegetable oil; salt; cement; steel bar; gasoline; diesel; kerosene; fertilizer; animal feed; water pump; tractor; threshing machine; medicine; detergent; gas; raw material for factories and rice mill.

**(b) Monetary and fiscal policies**

**- Monetary policy**

The principal aims of monetary policy in the Lao PDR are to limit inflation and to stabilize the exchange rate of the Kip relative to the US dollar. In general, the Bank of the Lao PDR (BOL) had been reasonably successful in achieving monetary stability.

Inflation has come down from its peak level of almost 90 per cent in August 1989, to single digit levels in the most years of the present decade.

The development of indirect policy instruments has been an ongoing process during the 1990s. Initially, the BOL relied on direct instruments, including instruction to reduce credit to state-owned enterprises and moral suasion to limit and target credit expansion. An important step in the development of indirect instruments was the introduction in 1990 of a 5 per cent reserve requirement. A credit window was opened at the BOL in 1992 and was replaced by a discount window in 1995. Several innovations were introduced in 1994 in an attempt to give new impetus to indirect monetary policy: the reserve requirement was double to 10 per cent in March 1994; the BOL started the regular auctioning of transferable six-month treasury bills but has been stopped since April 1998 due to adverse macroeconomic developments.

The successful control of monetary expansion and the gradual move to indirect policy instruments was interrupted in late 1994 and 1995. Excessive money growth in the second half of 1994 was reflected in rising inflation in 1995 of more than 20 per cent on an annual basis in the second half of the year. The resulting decline in competitiveness triggered an exchange rate crisis; the Kip was depreciated and the official exchange rate was abolished in September 1995. Monetary policy was tightened in response to these developments. In June 1995, reserve requirements were raised to 12 per cent and to 15 per cent in 1997. The overdraft rate was increased and the BOL started issuing central bank bills. Temporary direct control complemented these indirect measures: the BOL imposed bank by bank-specific credit ceilings and enforced compliance with the existing credit/deposit ratios (minimum of 60 per cent, maximum of 80 per cent).

Currently, indirect monetary policy is based on the following set of instruments:

- 12 per cent reserve requirement on both domestic and foreign currency deposits;
- The sale of six-month BOL bills and treasury bills to the non-bank public through the commercial banks;
- An overdraft facility for commercial bank borrowing, at 35 per cent interest rate; and
- A discount facility for borrowing secured against treasury bills.

In order to enhance monetary policy, the BOL introduced a reserve money-programming framework in mid-1996. For the short-term management of the banking system's liquidity, the framework focuses on the commercial banks clearing accounts at the BOL. The required intervention is determined by comparing this projection of base money to a target level that is derived from the official targets for inflation and growth.

The effectiveness of monetary policy also depends on stable and predictable relationships between several key variables. Crucial for reserve money programming is the relationship between base money and the target monetary aggregate, money multiplier. Also important is the relationship

between broad money, economic activity, prices, and interest rates (the money demand function). In the Lao PDR, these relationships are affected by three related processes: the gradual monetization of the economy, financial sector reform and dollarization and currency substitution. The Government does not use exchange rate as a trade policy instrument.

- **Relations with the IMF**

The Lao PDR had two program loans with the IMF: SAF (1989-1992, 28 million US\$) and ESAF (1993-1997, 48 million US\$). Since 1997, the negotiations have been underway on a new program with the IMF.

The Lao PDR has not yet accepted the conditions of Article VIII of the Articles of Agreement of the IMF due to the economic situation in the country. This issue is under discussion with the IMF.

- **Banking sector**

The banking sector comprises the Bank of the Lao PDR as central bank, three state-owned commercial banks, the state-owned Agricultural Promotion Bank, three joint venture commercial banks and several foreign private branches. A program to bring the state-owned commercial banks to international standard has been underway for several years. In 1994, the Asian Development Bank financed a re-capitalization of the banks, but because of poor management, the level of non-performing loans has returned to unsustainable levels. The economic problems created by the Asian economic crisis compounded the problem. Under a second program loan, six of the state-owned banks were consolidated into two bigger banks in 1999.

- **Public Finance**

Since 1988, the public finances of the Lao PDR have been dramatically changed. The general budget was unified in 1992, the tax system has undergone substantial innovation, the expenditures control system has been centralized and discipline on expenditure was enhanced. The changes created a framework for securing fiscal sustainability.

Budget policy through the nineties had been for a surplus and to restrain expenditure. This strategy contributed to stability. Specific goals were to augment budgetary savings and reduce net domestic bank credit. There is also a pressing need to augment basic infrastructure and improve health and education standards. The standing challenge for the Government of the Lao PDR is to balance the competing demands to increase savings and increase expenditure which these broad requirements generate.

Improving the tax system has been critical to management of public finance. In 1996, the tax system was overhauled. The broad strategy has been to broaden the tax base, increase the efficiency of taxation and increase the share of revenue from domestic taxes compared to trade taxes. The new Tax Law was enacted by the National Assembly on 14 October 1995 and amended on 28 September 1998 by the Presidential Decree No. 01. Key features were reduction of profit tax from 45 per cent to 35 per cent, introduction of ad valorem tariff duties, a broadening of the income tax base, along with an adjustment of rates and wider application of excise taxes. Further minor adjustments were made to the tax system in 1998. The sources of revenue are well spread across a number of taxes.

In 1997/98, turnover taxes on domestic products were the largest source of revenue, generating 23.8 per cent of total tax revenue. Turnover tax on foreign trade generated 22.4 per cent of revenue, and excise tax generated 19.8 per cent. The share of taxes to revenue is set out in Annex 1, Table II.7. There is a general trend to reduce dependence on customs duties. The question of introducing a value-added tax is under review.



Revenue fell below expectations in 1997/98. The increased revenues anticipated from the new system have not been fully realized. The principle reason is that it took longer than anticipated to get the administrative machinery for the new system operational. The Government also significantly increased capital expenditure to increase irrigation to expand rice production and crop diversification, while also increasing expenditures for commodity production in order to increase employment and generate income. Other areas of government expenditure that increased were education, as well as communication, transportation, and post (See Annex 1, Table II.8). This constrained other options for capital expenditure. The result was that the fiscal deficit in 1997/98 increased to 12.8 per cent of GDP.

At present, the Government is preparing the draft legislation to introduce VAT which will replace turnover tax.

**(c) Foreign exchange and payment system, relations with International Monetary Fund, application of foreign exchange controls, if any**

Foreign Exchange Decree No. 53/PCM of the Council of Ministers of 7 September 1990 prohibits the use of foreign exchange except for those banks and dealers which have authorization from the Bank of the Lao PDR. Holders of foreign exchange are obliged to present their foreign exchange holdings to a bank or authorized dealer for exchange into kip when needed for payments or transactions in domestic currency, or may open foreign exchange accounts with authorized banks. Foreign exchange purchase and sale by individuals and entities must be conducted through the commercial banks or other organizations authorized by the Bank of the Lao PDR.

Only those commercial banks which are authorized to deal in foreign exchange may both buy and sell: (i) bank notes, coins, traveller cheques denominated in foreign currency; and (ii) forms of payment orders, promissory notes, letters of credit and other instruments having a value in foreign exchange which are negotiable or otherwise used for settlement of foreign debt. Foreign exchange bureaus are authorized to deal in foreign exchange, but they may buy only notes, coins and traveller cheques from the public.

These foreign exchange bureaus may sell their foreign currencies to the authorized commercial banks or to the Bank of the Lao PDR at the daily rates announced by the Bank of the Lao PDR, or may sell such currencies to the general public subject to the authorization of the Bank of the Lao PDR. Commercial banks and foreign exchange bureaus set their own selling and buying rates daily applied to their customers with a spread not exceeding 2 per cent of the buying rates. Commercial banks maintain foreign exchange positions according to the regulations of the Central Bank.

Commercial banks and foreign exchange bureaus may sell their foreign currencies to the general public for the following purposes: (1) to pay for goods imported; (2) payment for import/export related services, including transport, insurance, and warehousing charges; (3) payment of foreign debt incurred with the approval of the relevant authorities; (4) repatriation of capital, and the transfer of profit and interest on foreign investments made in the Lao PDR under the Investment Law of the Lao PDR; (5) for capital investment abroad with the approval of the Government; (6) to pay for the budgetary expenses of a Lao embassy abroad or other Lao PDR representative abroad or other resident in the Lao PDR authorized by the Government to operate abroad; (7) overseas travel on official business, for commercial purposes, for medical reasons, for visit and tourism for persons having a visa from the Ministry of Foreign Affairs or the Ministry of Interior, or other relevant authorities with right to grant exit visa or other permits, within limits expressed by the Bank of the Lao PDR, or other relevant authorities; (8) for subsistence costs of Lao students and academics overseas who are duly authorized by the Ministry of Education, within the limits expressed by the

Bank of the Lao PDR; and (9) travel expenses and to authorize the export of capital of resident emigrating to other countries within the limits expressed by the Bank of the Lao PDR;

**(d) Foreign and domestic investment policies**

With the switch to a market oriented economy in 1988, foreign investment increased. By 1998, there were 749 foreign investment projects to a total value of US\$6.954 billion. Details are summarized in Table 3. Details of Investment by Sector are in Annex 1, (table Annex 1.7).

In 1988, the Foreign Investment Law was adopted. Its purpose was to encourage foreign investment and to establish the Foreign Investment Management Cabinet (FIMC) to facilitate investment. In 1994, the Law on the Promotion and Management of Foreign Investment was adopted by the National Assembly and issued as a Presidential Decree.

	1988-93	1994	1995	1996	1997	1998	Total
Number of Projects	368	112	55	63	66	67	749
Value US\$ million	1,995	2,597	804	1,293	142	123	6,954

Source: Foreign Investment 1988-1998

The purpose of the Law was to set the conditions for foreign investment. All sectors are open to investment unless the enterprise is detrimental to national security, natural environment, public health or the national culture or it violates the laws and regulations of the Lao PDR.

Foreigners can invest in the Lao PDR either in a joint venture or as a wholly owned enterprise. To qualify as a joint venture foreign investor, the foreign component must be at least 30 per cent of the value of the project.

The Lao PDR law precludes differentiation in treatment of foreign investors by race or nationality.

When approved as a foreign investor by the FIMC, the enterprise is entitled:

- to have its investment and property protected by the Government of the Lao PDR under the Lao PDR Laws, including a guarantee that it will not be requisitioned or nationalized;
- to lease land and transfer leasehold interests and own improvements and transfer those ownership interests;
- to repatriate earnings and capital in conformity with the law and regulations which govern foreign exchange;
- to tax concessions, including:
  - personal income tax at 10 per cent
  - profit tax at 20 per cent (the domestic rate is 35 per cent)
  - provisions to carry forward losses for three years
  - import tax of only 1 per cent on imports

There are some obligations on foreign investors. They are to give priority to Lao citizens in employment. Where necessary and following approval of the FIMC, foreign investors can employ skilled and expert foreign personnel. Foreign investors are obliged to upgrade the skill of Lao employees. Foreign investors are obliged to open accounts in local and convertible currency with

banks based in the Lao PDR. Company accounts have to follow the Lao PDR national system of accounting.

Foreign investment has occurred in all sectors, but it has been concentrated in the power sector with most investment coming from the United States and Thailand. Details of source and distribution of foreign investment are set out in Annex 1, (table annex 1.8).

There is no requirement for investments by Lao nationals to be approved. The Domestic Investment Promotion Law provides for the same incentives under the Foreign Investment Promotion Law to be available to approved domestic investors. The Domestic Investment Promotion Law lists priority sectors for investment. They are industries identified in the socio-economic development plan, enterprises which will promote exports as well as diversification of domestic production and enterprises located in priority regions.

There is provision in the Law for grants to be made to domestic investors, but no budget has ever been provided for this purpose. For details see Section IV.3 (a).

**(e) Competition policies**

The process of reforms of the Lao PDR economy has been undertaken in recognition of the benefits of competition in a market-oriented economy.

**3. Foreign trade in goods and services**

Trade is important to the Lao PDR. In 1998, the ratio of exports to GDP was 26.7 per cent and the ratio of imports was 43.8 per cent. The Lao PDR has a traditional deficit in the trade balance; in 1998 it was US\$216 million. For details of the balance of payments, see Annex 1, (table annex 1.1). The composition of trade reflects the natural endowments and the level of economic development of the Lao PDR. Most consumer and capital goods are imported. Fuel and automobiles are significant import items. Textile raw materials for the garment industry are also imported. See Annex 1, Table II.10.

**- Trade in goods**

Among exports, the largest item is lumber and timber products. Exports of logs are controlled to protect the sustainability of the industry. It also fluctuates according to world prices, exports slumping to US\$89.7 million in 1997 from US\$124.6 million in 1996 because of a fall in the price on world markets of Indonesian timber. The most significant feature of exports over the last five years has been the increase in exports of garments. Following the opening of the economy in the late eighties, there was investment to develop a garment industry as an export industry. In 1993, garments represented 20 per cent of exports, rising to 28 per cent (US\$90.5 million) in 1997. Export opportunities in garments are constrained by global trade barriers. The European Community is a large market, but garments are exported there under a concession in the GSP scheme. See Annex 1, Table II.9.

Another important export is electricity almost all of which is sold to Thailand. Exports fell in 1997 to US\$20.8 million from US\$29.7 million the year before as demand in Thailand fell as a result of the impact of the Asian economic crisis. It rose again in 1998 as new capacity came on stream. There is considerable potential to increase exports of electricity in the long term, but this depends on expansion of demand for electricity among the neighbours of the Lao PDR.

Agriculture is an important source of export revenue. Coffee, the leading export commodity, earned US\$48 million in 1998. Expansion of agricultural exports depends upon expansion of production and its increased commercialization by Lao farmers.

Thailand is the largest trading partner of the Lao PDR, followed by Vietnam. In 1997, 20.1 per cent of the Lao PDR exports went to Thailand and it contributed 51.9 per cent of imports. Real exports and imports to Thailand may be lower. It is likely that a significant percentage of this trade transits Thailand to and from third countries. Electricity, agricultural products and timber dominate in exports to Thailand.

Vietnam is the largest export market for exports from the Lao PDR, taking 47.1 per cent of all export in 1998, followed by Thailand (22.1 per cent), and France with 6.3 per cent.

Vietnam is an increasingly important trading partner. Its share of the Lao PDR exports rose from 9.6 per cent to 42.7 per cent in 1997. Timber and timber products are the most important exports to Vietnam. Motorcycles are significant exports to Vietnam (US\$17.1 million in 1997), but these are virtually re-exports following minimal assembly of the product in the Lao PDR. See Annex 1, Tables II.11 and 12.

#### - **Trade in Services**

The most important source of export revenue from services is tourism. Tourists increased to 500,200 in 1998, up from 463,200. Thailand was the largest source (273,095 in 1998), followed by Vietnam (78,216), the United States (20,174), France (17,863) China (15,802) and Japan (12,936). The tourist industry has important growth prospects, but growth is constrained by underdeveloped tourist infrastructure. Given its geographic location, transport is likely to be an important source of export revenue in the long term. This will have to await growth among the neighbours of the Lao PDR and increased bilateral trade among them.

Annex 1, Table II.13 shows how the importance of tourism can be seen from the contribution of travel to services exports. It has been the largest earner for the last five years, contributing the equivalent of US\$80 million of total non-factor services receipts of US\$129.7 million in 1998.

#### **4. Domestic trade in services including value and composition of foreign direct investment**

The service sector of the Lao PDR economy contributes about 25 per cent of Gross Domestic Product, of which 41 per cent is generated by wholesale and retail trade with transport and distribution accounting for 23 per cent. For details of shares of services industries to GDP by percentage see Annex 1, Table II.2. Foreign investment is important in the service sector in the Lao PDR.

#### **5. Information on financial movements related to nationals working abroad, remittances, etc.**

Few Lao PDR nationals work abroad, so remittance from work abroad is not significant.

### **III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES**

#### **1. Powers of executive, legislative and judicial branches of government**

The Lao PDR was proclaimed on 2 December 1975. On 15 August 1991, the 85-member Supreme People's Assembly (which was renamed the National Assembly in 1992) promulgated the first Constitution of the Lao PDR. According to Chapter IV of the Constitution, the National

Assembly has the power to make decisions on issues fundamental to the country, and to supervise and oversee the activities of the executive and judiciary.

**National Assembly:** The National Assembly has extensive powers including the power: to enact and amend laws, including the Constitution; to establish or abolish taxes; to elect and remove the President, the Vice-President, the President of the People's Supreme Court and the Public Prosecutor-General; to appoint and remove members of the Government on the recommendation of the President; to create or dissolve Ministries; to grant amnesties; to ratify or denounce international treaties; to decide on matters of war and peace; and to exercise other rights and duties as prescribed by law.

**Executive:** The Executive consists of the President, the Prime Minister and the Government and local authorities (the Governors of Provinces, the Chiefs of Districts and the Heads of Villages). The President is appointed by majority vote of two thirds of the National Assembly for five years and is the Head of State and the Chief of the Armed Forces of the Lao PDR. The President exercises various powers, including the issuing of decrees, normally with the approval of the National Assembly. The Prime Minister is appointed by the President, with the approval of the National Assembly, for a five-year term. One of the Prime Minister's principal tasks is to supervise the work of the ministries and other government organizations.

The Government is described in the Constitution as the "administrative body" of the Lao PDR. It consists of the Prime Minister, Deputy Prime Ministers, Ministers and chairmen of the ministry-equivalent committees. Its functions include: to implement the Constitution, laws and resolutions adopted by the National Assembly, and decrees of the President; to create and submit to the National Assembly strategic plans on socio-economic development and annual state budgets; to organize and supervise the function of all branches of the Government and of the local administrations; to sign treaties with foreign States and supervise their implementation; and to suspend and revoke decisions and instructions of the ministries, other government organizations and local administrations if they are contrary to existing laws.

**Judiciary:** the judicial system is divided into three tiers: the lowest tier consists of District Courts; the second tier embraces Provincial Courts and the Vientiane People's Court of First Instance; and the third, and highest, tier is the Supreme Court, which sits as a conventional appellate court. The main difference between the District and Provincial Courts relates to the amount of a claim that can be brought in civil proceedings and the maximum sanctions stipulated in the law for the offence committed and brought before the court. There are proposals to set up the Courts of Appeal between the Provincial Courts and the Supreme Court along the French model in order to relieve the pressure on the Supreme Court, where appeal cases grow year by year.

The hierarchy of legislation in the Lao PDR is as follows:

- a) Constitution;
- b) Laws – regulations which establish the rights, obligations and relationships of natural and juridical persons. Only the National Assembly has the right to consider, adopt and amend or repeal laws.
- c) Edicts – regulations similar to laws in that they establish the rights, duties and relationships. Edicts are submitted by the Standing Committee of the National Assembly to the President for promulgation.

- d) Presidential Decrees or Presidential Orders – regulations to promulgate laws based on the proposal from the Prime Minister and the Standing Committee of the National Assembly.
- e) Prime Minister's Decrees – have the effect of regulations establishing rights and duties.
- f) Resolutions by the Government, instructions and decisions by Prime Minister or ministries – are adopted to implement laws and decrees.

The constitution and laws of the Lao PDR are subject to a process of ongoing reform.

## **2. Government entities responsible for making and implementing policies affecting foreign trade**

The Ministry of Commerce and Tourism is responsible for trade policy in the Government of the Lao PDR. It is responsible for management of bilateral and international trade policy. It is responsible for the Lao PDR interests in the WTO. It advises on levels of tariffs, quotas and licences for imports and exports. It administers import and export licences and quotas, if applicable.

On questions of levels of tariffs, the following Ministries provide advice: the Prime Minister's Office, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Commerce and Tourism, the Ministry of Agriculture and Forestry, and the Ministry of Industry and Handicraft. The Foreign Investment Management Cabinet advises on exemptions and reductions on customs duties for products imported under approved foreign investments (please refer to IV.1 Import regulation).

Management of obligations arising from membership of the ASEAN Free Trade Area is the responsibility of the AFTA unit which is headed by the Deputy Director General of the Customs Department of the Ministry of Finance.

Administration of customs, including classification, is also the responsibility of the Customs Department of the Ministry of Finance.

The Science, Technology and Environment Agency in the Prime Minister's Office is responsible for standards and technical barriers to trade.

The Ministry of Health is responsible for standards relating to food and drugs.

The Ministry of Finance is responsible for government procurement.

The Ministry of Commerce and Tourism has overall responsibility for trade-in-service issues as they arise in the WTO and the Ministry of Foreign Affairs is responsible for trade-in-service issues as they arise in the ASEAN Free Trade Agreement.

Responsibility for issues concerning trade in financial services rests with the Bank of the Lao PDR, those for communication, transport, construction and post rest with the Ministry of Communication, Transport, Post and Construction. Responsibilities for other service areas rest with the relevant line agencies - Ministry of Education, Ministry of Health and the Science, Technology and Environment Agency in the Prime Minister's Office.

Responsibility for intellectual property rests with the Science, Technology and Environment Agency in the Prime Minister's Office.

The FIMC in the Prime Minister's Office is responsible for issuance of foreign investment licence.

The Ministry of Agriculture and Forestry is responsible for determining and administering sanitary and phytosanitary measures.

### **3. Division of authority between central and sub-central governments**

For administrative purposes, the Lao PDR is divided into 16 provinces, one prefecture (Vientiane) and the Saysomboun Zone (Zone is equal to province). A Governor administers each. There is a provincial administrative service in each province, usually comprising representatives of the ministries of the Government based in Vientiane. These officials administer policies which are determined by the Government.

Revenue is raised by the Government which makes payments to the provincial authorities. Policies affecting the traded sector of the economy are set by the government agencies.

### **4. Any legislative programmes or plans to change the regulatory regime**

Over the past ten years the Government of the Lao PDR has pursued a program to transform the legal framework from one based on decrees to one based substantially on the laws that have been adopted by the National Assembly. In the 1990's, more than 38 laws were promulgated to support the development of market economy of the Lao PDR. These include: the Constitution (1991), the Contract Law (1990), Accounting Law (1990), Business Law (1994), Foreign Investment Promotion and Management Law (1994), Labour Law (1994), Trademark Decree (1995), Customs Law (1994), Transaction Law (1994), Exchange Control Decree (1990), Tax Law (1995), Bankruptcy Law (1994), Civil Procedure Law (1990), Criminal Procedure Law (1990), Decree of the Management of the Standard and Quality of Goods and Services (1995), Penal Code (1990), Land Law (1992), and Labour Law (1990).

### **5. Laws and Legal Acts**

A list of principal laws and regulations is provided in Annex 2.

### **6. Description of judicial, arbitral or administrative tribunals or procedures, if any**

The court system is comprised of:

- a) The Supreme Court which is the court of appeal for courts at the provincial level.
- b) The provincial courts, the court of Vientiane Prefecture, and the court of Saysomboun Zone are courts of the first instance for criminal cases when the law stipulates the imprisonment not more than two years and for civil cases when the amount of claim is more than five hundred thousand Kip. They also deal with civil cases concerning civil status such as divorce and paternity. These courts are also courts of appeal for the district courts.
- c) The district courts are the lowest courts. They deal with small civil and criminal cases when the amount of claim is less than five hundred thousand Kip or when the law stipulates imprisonment of not more than two years.

There are no administrative tribunals. A certain number of cases concerning the civil responsibility of the State are dealt with by the Courts. Arbitration was created recently under the Ministry of Justice, with two sub-centers in Luang Prabang and Savannakhet.

At present, the Lao PDR does not have legislation which provides specific rights of appeal on actions by government bodies in the area of trade. However, the right of appeal is implemented through administrative procedure by lodging complaints to the Prime Minister's Office, and in a number of areas, procedures establish official rights.

The Decree on the Resolution of Economic Disputes promulgated in 1994 provides a mechanism for the resolution of economic disputes (disputes arising from business operations, agricultural production, commercial transactions and other economic activities) and has established the Office of Economic Disputes Resolution (OED). Economic disputes may be brought into OED within three years of the date from which the disputes arose. The Decree provides detailed procedures for dispute resolution including mediation and arbitration.

It is acknowledged that the administrative structure which supports enforcement procedures in the judicial system, needs strengthening. There are plans to strengthen the judicial system and to provide better training for those associated with it.

#### - **Relation with WTO Agreements**

The Constitution provides for National Assembly to ratify international agreements. Some international treaties which need amendment or new enactment of domestic laws require ratification. In the case of the Marrakech Agreement Establishing the WTO, it would be necessary to submit it to the National Assembly for ratification. After the ratification, the Prime Minister's office will notify line Ministries and publicize the ratification. In the event of conflict with domestic regulations, the WTO Agreements will prevail.

## **IV. POLICIES AFFECTING TRADE IN GOODS**

### **1. Import Regulation**

#### **(a) Registration requirements for engaging in importing**

In the Lao PDR, businesses which trade are required to register as import and export companies. The registration of entities wishing to import and export is covered by Ministerial Decree "Authorization of Import and Export Business" No 462/MOC of 8 December 1993, complemented by the Business Law (Law No. 3/NA of 18 July 1994) and regulations in Notification 750/MOC of 6 August 1996 pursuant to the Business Law. Entities wishing to engage in importing are required to apply for registration at Department of Internal Trade in the Ministry of Commerce and Tourism (MOCT). The first consideration in the process of approval is the relationship between the proposed business and the industrial development priorities set out in the Socio-Economic Plan current at the time of application which presently covers the period 1995-2000.

Applicants for import/export registration have to meet following eight (8) criteria:

- (i) Authorized capitalization according to the category of import or export goods the applicant wishes to trade plus a warehouse. There are nine categories of goods in the import sector and ten categories in the export sector which are set out below.
- (ii) As the applicant will act as a wholesaler, the application must be accompanied by a list of retail outlets which will be used to market the imports.



- (iii) The applicant must always import for his own business and not as a commission agent on behalf of another enterprise.
- (iv) Applicants must ensure that their imported goods bear the importer's name on the label as a precaution against smuggling.
- (v) Applicants who wish to import fuel and medicines must demonstrate that they have the expertise and technical infrastructure to market the goods.
- (vi) Import/export businesses must abide by the Accounting Law (No. 12/90PSA of 29 December 1990).
- (vii) Import/export businesses must abide by the Tax Law and Customs Law (No. 95/NA of 14 October 1995) and (No. 4/94/NA of 18 July 1994).
- (viii) All import and export transactions must be enacted through a registered bank.

Registration is without time limits.

As noted in sub-paragraph (i) above, for the purposes of judging whether the proposed importing activity of an applicant is consistent with the Socio-economic development Plan, imports have been divided into nine (9) categories and have been allocated a level of capitalization which the applicant must demonstrate he has assets and/or liquidity to cover. In the case where an applicant nominates more than one item, whether in the import or export categories, the capitalization is aggregated. The capitalization figures area a minimum of 500 million Kip.

#### Import Categories

- (i) Foodstuffs;
- (ii) Textiles, clothing and consumer goods;
- (iii) Office supplies, educational and cultural goods and sporting goods;
- (iv) Agricultural machinery, industrial tools, products used in fishery, agriculture, animal husbandry and handicrafts;
- (v) Luxury goods e.g. alcohol, cigarettes and perfumes;
- (vi) Building materials, electrical appliances and electrical equipment;
- (vii) Motor vehicles and spare parts including engines;
- (viii) Medicine, medical equipment and chemical products for the production of pharmaceuticals;
- (ix) Fuel, lubricants and gas.

#### Export Categories

- (i) Logs, timber and wood products, including roots and branches;
- (ii) Rattan and bamboo products;
- (iii) Coffee and tea;
- (iv) Minerals;
- (v) Traditional medicinal herbs (No amount specified for categories (v) to (x));
- (vi) Forestry products, including resins;
- (vii) Agricultural and animal products;
- (viii) Industrial product;
- (ix) Handicrafts;
- (x) Miscellaneous products.

The fee for registration is Kip 34,000, which reflects the cost of services related to the processing of forms.

In the case of a wholly foreign-owned entity and a joint venture, the procedures which apply to approval of all foreign investments are followed. The application must firstly be lodged with the Foreign Investment Management Cabinet (FIMC). Application form filling will be assisted with the service of FIMC's Investment Service Division. The FIMC will decide whether the application should be referred to one or other of the line Ministries, such as Ministry of Agriculture and Forestry or Industry and Handicraft, to the Department of Construction in the Ministry of Communication, Transport, Post and Construction for expert/technical comments.

The Ministry would then send its comments back to the FIMC. It then forwards the proposal to the Committee for Investment and Cooperation (CIC) for approval. Once the foreign investment proposal is approved, a fee is charged: US\$500 for investments licence with capital investment up to one million and US\$1,000 for bigger investments. FIMC will assist investors to take the investment licence to the Department of Internal Trade in the Ministry of Commerce and Tourism for registration. Then the investment licence will be registered for tax purposes with the Ministry of Finance. The fee for that registration is 0.1 per cent of capital for both wholly foreign-owned or a joint venture enterprise.

With respect to the registration of wholly-domestically owned import-export enterprises, the application is initially lodged with the Ministry of Commerce and Tourism which engages in the same consultative process with line Ministries as occurs with the applicants with a foreign component. A decision on whether to grant company registration to the local entity is made by the Department of Internal Trade in the Ministry of Commerce and Tourism. Registrations of businesses as import/export companies are not restrictive. In January 2000, 149 businesses were registered as import/export companies.

**(b) Characteristics of national tariff, customs tariff nomenclature (HS), types of duties, general description of the customs tariff structure, weighted average level of duties on main customs tariff groupings; application of m.f.n. tariff rates, tariff preferences**

The Lao PDR maintains a two-column tariff schedule which will be operating under HS 96 nomenclature within the year 2000. The import tariff structure maintains six tariff rates, namely, 5,10,15,20,30 and 40 per cent. Tariffs in the Lao PDR are ad valorem rates. The philosophy behind the tariff structure is to have low tariffs on investment goods and inputs for industry and higher tariffs on non-essential luxury goods. For example the tariff on most equipment and machinery is set at five per cent while a twenty per cent tariff applies to electronic consumer goods and a forty per cent tariff to automobiles. (See Table 4 for a summary and Annex 1, table annex 1.5 for more details). In accordance with Article 17 of Foreign Investment Promotion and Management Law, low tariffs of 1 per cent are applied to investment goods under FDI, while tariff exemption are applied with regard to inputs for processing of exported goods. All tariffs are exempted on imports of yarn and textiles used for garment exports.

Sector	Product	Tariff Rate (%)
Agriculture	Seeds	5
	Fertilizer	5
	Other	5 – 40
Fisheries		5 – 20
Stock	Feed	5
Manufacturing	Raw Materials	5 – 10

Sector	Product	Tariff Rate (%)
	Packaging	10 – 20
	Energy	5 – 20
	Machinery and Equipment	5 – 20
	Trucks	5 – 30
	Cars	40
	Beer and Alcohol	30 – 40
	Other Manufactures	10 – 20
Consumption	Luxury - food	10 – 30
Goods	Luxury - non-food	10 – 40

(Compiled for ADB. Source: World Bank and Lao PDR Customs)

The tariff currently follows the Harmonized System 92 nomenclature. It is being transferred to the HS 96 nomenclature. The system of collection of statistics in the Lao PDR does not yet allow analysis of trade according to individual tariff lines. The Customs Department of the Ministry of Finance has mounted an IMF sponsored program of technical assistance to support development of a more comprehensive system of collection and collation of trade statistics.

The median tariff in the Lao PDR is 5 per cent. The unweighted average of the tariff is 9.5 per cent, while the weighted average tariff is 14.7 per cent.

MFN applies except where, consistent with the terms of the Lao PDR's membership of ASEAN and the ASEAN Free Trade Area (AFTA), some preferential treatment is being applied to fellow ASEAN members. For details see Chapter VII and Annex 7.

**(c) Tariff quotas, tariff exemptions**

No tariff quota system operates. Low tariffs of 1 per cent are applied to investment goods under FDI, while tariff exemptions are applied with regard to inputs for processing of exported goods. All tariffs are exempted on imports of yarn and textiles used for garment exports.

**(d) Other duties and charges, specifying any charges for services rendered**

No other duties and charges are levied.

**(e) Quantitative import restrictions, including prohibitions, quotas, and licensing systems**

Imports of weapons, right-hand-drive vehicles, animal parts, addictive drugs, certain medicines, cultural items for instance (casino equipment, certain publications and audio-visual material and other products that may offend the Lao culture or corrupt children (such as pornography)), nominated agricultural products and dangerous goods are banned under Notification No. 870/MOC of 19 September 1996 on national security, public health, cultural socio-economic and environmental grounds.

Notification 870/MOC lists sectors and products which are strategic and potentially subject to state control. They are petroleum products, construction steel, cement, rice, vehicles, electricity, minerals, tobacco, timber products. Certain products are also designated as potentially subject to special control. (Special controls are those imposed for reasons of sanitary and phytosanitary protection, the protection of human health and safety, as well as for security reasons). They are food products, live animals and plants, fertilizers, cultural goods, communication products, medicines,

chemicals, minerals, sporting guns and sports products. Images of Buddha and God may only be imported with the authorization of the Ministry of Information and Culture. Controls on imports of motor cycles over 250cc are set out in Notification No. 1552/MCTPC of 8 July 1996 of the Ministry of Communication, Transport, Post and Construction.

Under Regulation 462/MOC, quantitative controls have been applied to the importation of fuel and lubricants, steel bars for construction, all types of cement, all types of motor vehicles and motorcycles.

With respect to the importation of rice, the right to apply quotas is reserved for food security purposes, notably when necessary to support the minimum farm-gate price set by the Lao PDR in order to maintain the country's productive capacity of rice.

Licenses are required for most imports.

The Government is reviewing the measures and their consistency with the provisions under the GATT 1994.

**(f) Import licensing procedures**

See Annex 3

**(g) Other border measures, e.g. any other schemes that have border effects similar to those of the measures listed under (e) above**

No other border measures apply that have similar effects to measures listed under (e) above.

**(h) Customs valuation (WTO Customs Valuation Agreement (Annex 4 refers), the Brussels Definition of Value, or any other system) whether used only for purposes of levying ad valorem rates of duty or for other purposes**

The Lao PDR has a customs law (No. 04/94 of 18 July 1994) which is used only for levying ad valorem rates of duty on a CIF basis. The law does not incorporate all of the provisions of the WTO Customs Valuation Agreement (see Annex 4 for details). As a member of the ASEAN, the Lao PDR is committed to apply the decision that ASEAN countries will implement the WTO Agreement. The Lao PDR requires a comprehensive technical assistance in implementation of the Agreement from the international community, in particular from WTO members. The Lao PDR would require a transitional period to comply with the Customs Valuation Agreement upon its accession to the WTO, in particular, for training of customs officials and trading enterprises.

**(i) Other customs formalities**

Nil.

**(j) Pre-shipment inspection**

Pre-shipment inspection is not used.

**(k) Application of internal taxes on imports**

Turnover and excise taxes, in addition to import duties, are payable on imports. Details are set out in the Tax Law of 1995 administered by the Ministry of Finance.

The turnover tax is levied on the first sale of all goods and services (imported or produced domestically) at rates of either 5 per cent or 10 per cent.

Exemptions apply to goods imported for further transformation; to purchases of raw materials, production instruments, trucks and other production materials; and for transport vehicles used to provide services and for the spare parts for such vehicles.

Excise tax applies to certain imported and domestically produced goods. Such goods include fuel, alcohol and alcoholic drinks, soft drinks and packaged and un-packaged cigarettes, and perfumes and cosmetics. See Annex 8.

Exemptions from excise tax apply to kerosene used by aeroplanes, some goods sold to eligible members of the diplomatic corps, alcohol used for medicinal purposes, purchases for externally funded projects and export of excisable goods.

Methods to determine the value of imported and domestic goods for tax purposes are as follows; (a) for imported products, turnover tax is levied on following basis – CIF price plus import duties plus excise tax (if applicable); (b) for domestically produced goods – ex-factory price plus excise tax (if applicable).

**(l) Rules of origin**

With respect to imports under the ASEAN Free Trade Agreement, rules of origin apply to preferential access to the Lao PDR market. Compliance is administered by the Customs Department in the Ministry of Finance who check the certificate of origin accompanying a customs import documentation.

Certification of goods subject to rules of origin for preferential and non-preferential access to the export markets, is carried out by the Department of Foreign Trade in the Ministry of Commerce and Tourism. The Chamber of Commerce and Industry issues non-preferential certificate of origin for other exports and Provincial Trade Offices issue preferential and non-preferential certificate of origin for wood and wood products, agriculture and forestry products.

**(m) Anti-dumping regime**

**(n) Countervailing duty regime**

**(o) Safeguard regime**

No requirements are in place. The Lao PDR may implement AD, CVD and Safeguard legislation in the future.

**2. Export regulation**

**(a) Registration requirements for engaging in exporting**

The procedures that apply to importers also apply to exporters. See procedures for registration for importing in 1(a) above.

**(b) Customs tariff nomenclature, types of duties, duty rates, weighted averages of rates**

Export duties are levied on electricity at 20 per cent.

**(c) Quantitative export restrictions, including prohibitions, quotas and licensing systems**

Notification 870/MOC bans exports of certain products: guns, archaeological and cultural artifacts, drugs and related products, logs and rough sawn timber and wild animals. The restrictions are imposed for reasons of national security, environment and health and safety. Exports of logs are prohibited on conservation grounds.

With respect to the export of rice, the right to apply regulation is reserved for food security purposes.

**(d) Export licensing procedures**

With the exception of the export of garments and products on the AFTA Inclusion List of other ASEAN trading partners, export licenses are required for all exports. In addition, the export of live animals and animal skin products require the prior approval of the Ministry of Agriculture and Forestry. Licenses are issued by the Municipal and Provincial trade offices of MOCT in consultation with line Ministries. Two to three days are required for export licenses to be processed which is valid for 90 days.

The Documents required for the export of above-mentioned goods are an export license, a certificate of authorization for export from the Ministry of Agriculture and Forestry or the Prime Minister's Office in the case of logs, an invoice, packing list, sales contract and a certificate from a bank confirming that payment has been received.

**(e) Other measures, e.g. minimum export prices, voluntary export restrictions, orderly marketing arrangements**

No such measures are applied.

**(f) Export financing, subsidy and promotion policies**

Export promotion is a responsibility of the Ministry of Commerce and Tourism. The Export Promotion and GSP Division in the Department of Foreign Trade in the Ministry assists the Lao National Chamber of Commerce and Industry in mounting internal and overseas promotion of the Lao PDR. The Government of the Lao PDR does not have a specific government fund for export promotion. A new institute for promotion of handicrafts for exports has been established in the Ministry of Industry and Handicraft.

**(g) Export performance requirements**

There are no government programs which bind government assistance or trade measures to export or import performance requirements.

**(h) Import duty drawback schemes**

No import duty drawback scheme is in place, but the duty exemption of raw materials for the production of textiles and garments for exports may be said to have a similar effect.

### **3. Internal policies affecting foreign trade in goods**

#### **(a) Industrial policy, including subsidy policies**

The Lao PDR has formulated an Industry-Handicraft Development Plan for the period 1996-2005 which covers the processing industry, cottage and handicraft industries, power generation, mining, agro-forestry industry, textiles and construction materials industry. Industry and handicraft is one of the important sectors of the national economy. In the last few years, the sector has made a significant contribution to production promotion and socio-economic development in both the urban and remote rural areas.

The sector has grown in step with other sectors of the economy. For example, in 1990 gross industrial products accounted for 14.4 per cent of GDP and in 1997-98 was 21 per cent. The vast majority (95 per cent) was employed in the processing industry, 70 per cent of who were in food processing. Small factories with less than 10 workers account for 92 per cent of employment, medium and large factories account for 6 per cent and 2 per cent respectively. Weaknesses in the industry sector are the inability of handicraft production to compete with imports; inadequate infrastructure to attract new industries; lack of appropriate technical and entrepreneurial skills; and the absence of power outside the larger cities and towns.

The overall goal of the industry-handicraft sector is to seek to inject additional domestic and foreign capital and improve production technology and working methods and to improve the infrastructure of rural areas with available labour resources.

The Domestic Investment Promotion Law (No 03/95/NA of 14 October 1995) provides general guidelines for provision of government assistance for domestic investment. Eligibility for assistance is determined according to whether or not the businesses are operating in the priority areas defined in the national Socio-economic development plan, or in regions designated for special development or, in the case of manufacturing if the business will promote exports and import substitution. The Law provides for assistance to be provided in the form of funding from a Development Fund administered by the Ministry of Finance, exemptions from tax and customs duties, provision of information and marketing assistance, facilitation or provision of land and facilities. The legislation does not mandate trade performance as a condition for assistance nor does it have provisions which conflict with the principle of national treatment.

The form of assistance provided is decided on a case by case basis. However, no payments have been paid under the Development Fund provision as no budget has been provided for it. Other incentives mirror those provided to foreign investors.

In the mining sector, the objectives are to provide a favorable legal system within which mineral prospecting, exploration and mining can expand; to enhance the qualifications of mining professionals and other mineworkers; and promote mining as a foreign investment target.

The emphasis in developing the power industry is to increase power supply for domestic industries and consumption (especially in rural areas) and for export. Power generation in 1997 was 218 MW and is expected to be 638 MW in 2000 and could rise to 5,036 MW. Power volume which is presently 1,900 million KW hours will increase to 3,313 million KW in 2000 and could reach 24,468 million KW by 2006. The Lao PDR envisages that the sources of this increased production will come from new hydro power station and from fuel and solar generators.

**(b) Technical regulations and standards, including measures taken at the border with respect to imports**

Decree No. 85/PM issued by the Prime Minister of the Lao PDR effective 2 November 1995 sets out provisions for establishment, management and enforcement of the testing, standard and the quality of products. Details of the Decree and information related to TBT Agreement is provided in Annex 5.

At present, a National Master Plan for Standards and Conformity Assessment in the Lao PDR is under consideration, in connection with the decision of the ASEAN Economic Ministers Meeting, to develop and improve standards and conformity assessment system in Laos with a view to improving quality of products, by pursuing the following:

1. Reviewing existing and drafting new laws, rules and regulations on standards and conformity assessment;
2. Strengthening or restructuring organizational structure of institutions responsible for standards and conformity assessment;
3. Developing and improving product and quality system certifications;
4. Effective implementation of standards and conformity assessment by all enterprises;
5. Establishment of industrial and legal methodology facilities;
6. Establishing or upgrading testing facilities; and
7. Establishing documentation and information system standards and conformity assessment.

The Government of the Lao PDR is considering joining ISO.

However, due to complexity and technicality of the issues, the Lao PDR urgently requires comprehensive technical assistance in the TBT area from the international community, in particular from WTO members. In addition, the Lao PDR would require a transitional period to comply with the TBT Agreement upon its accession to the WTO.

**(c) Sanitary and Phytosanitary measures, including measures taken with respect to imports**

The Lao PDR has established a Food and Medicine Control Committee (FMC) under Decree No. 45/CCM of 3 June 1991. Subsequently, the FMC issued Regulation No. 35/FMC of 26 October 1991 publicizing the provisions on the control of export-oriented and imported foodstuff. The intention of these provisions is to serve as a legal basis for relevant State officials in the maintenance and control of the quality of food products and standards.

The Ministry of Agriculture and Forestry administers four regulations relating to Sanitary and Phytosanitary measures. These are:

- Decree No. 85/ PMO of 31 May 1993, which regulates the control of domesticated animals in the Lao PDR;
- Decree No. 66/PM of 23 March 1993, which relates to plant quarantine controls the use of pesticides in the Lao PDR;
- Regulation No 0894/MOAF of 21 November 1992 which relates to management and use of plant protection in the Lao PDR; and
- Regulation No. 0719/MOAF of 3 December 1997 which controls the importation and use of plant species and breeding seed in the Lao PDR.

Lao SPS regulations and standards are based on the relevant international standards, guidelines, or recommendations.



The purpose of these regulations is to control the risk to human, animal and plant life from, pests and diseases, disease-causing organisms and pesticide contamination.

These laws and regulations set out the conditions that importers and exporters of live animals, plants and foodstuffs of plant and animal origin are required to meet. For the import and export of live animals and animal products appropriate certification is required. In the case of imports of live animals, certification that appropriate vaccinations (depending on kind of animal and the origin of imports) has been undertaken is required.

There is a similar requirement for the export of live animals. The Ministry of Agriculture and Forestry is in charge of the vaccination controls.

For import and export of plants and foodstuffs, depending on origins, a Phytosanitary certificate is required. Regulation No. 0719/MOAF also sets out a list of plant pest and diseases whose presence in plants and plant products will not be given approval to be imported.

The Ministry of Agriculture and Forestry maintains six plant quarantine and 15 animal quarantine stations at strategic locations around the country. A lack of veterinarians and other trained specialists and laboratory facilities creates problems in implementing effective Sanitary and Phytosanitary controls.

The Lao PDR is a member of the Codex Alimentarius Commission, the International Office of Epizootics and the International Plant Protection Commission in FAO.

Lao SPS regulations and standards are based on the relevant international standards, guidelines, or recommendations.

As part of the accession process, the Lao PDR Government will review its sanitary and phytosanitary measures to assess compliance with the provisions of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures and will draw on the resources of the relevant international agencies.

Due to complexity and technicality of the issues, the Lao PDR urgently requires comprehensive technical assistance in the SPS area from the international community, in particular from WTO members. In addition, the Lao PDR as a LDC would require a transitional period to comply with the SPS Agreement upon its accession to the WTO.

The Lao PDR is participating in the regional harmonization programs of ASEAN regarding SPS measures.

**(d) Trade-related investment measures (TRIMS)**

Trade performance requirements are not set as conditions for investment. The Conditions are described in Section II.2 (d).

The Government of the Lao PDR provides concessions to foreign investors. Under Article 17 of the Promotion and Management of Foreign Investment (Law 01/94 of 14 March 1994), foreign investments shall pay an import duty on equipment, means of production, spare parts and other materials used in the operation of their investment projects or in their productive enterprises at a uniform flat rate of only one per cent (1 per cent) of their imported value. Also, raw materials and intermediate components imported for the purpose of processing and then re-exporting shall be exempted from such import duties. All finished products for export are also exempted from export duties.

At present, the Lao PDR does not apply trade related investment measures which could fall under the scope of the TRIMs Agreement, including those subject to conditions related to export performance, local content or trade balancing requirement.

**(e) State-trading practices**

After preliminary consideration on the issue related to state trading enterprises, the Government of the Lao PDR would like to state that the Lao PDR does not have state trading enterprises in the sense of Article XVII of the GATT 1994 and working definition of Understanding on the Interpretation of Article XVII of the GATT 1994.

However, the Government will continue to consider these issues and report to the Working Party, if necessary.

**(f) Free zones**

There are no free zones in the Lao PDR.

**(g) Free economic zones**

No free economic zones exist at time of reporting.

**(h) Trade-related environmental policies**

The Ministry of Agriculture and Forestry administers a system of control over the felling, reforestation and licensing for export of defined species of trees for conserving the natural resource and to limit long-term damage to natural forests. Exports of logs are banned to support the domestic conservation program, while (consistent with Article XX (g) of GATT 1994) the domestic production of this exhaustible natural resource is restricted through quotas. Restraints on the import of motor vehicles and motorcycles have also been applied for environmental reasons.

**(i) Mixing regulations**

No mixing regulations apply.

**(j) Government-mandated counter-trade and barter**

Neither government-mandated counter-trade nor barter exists.

**(k) Trade agreements leading to country-specific quota allocation**

No trade agreement leading to country-specific quota allocation is in place.

**(l) Government procurement policies, including general legal regime and procedures for tendering, dealing with tenders and award of contracts**

Government procurement policy and practices are administered nationally by the Procurement Monitoring Office (ProMO), Department of Fiscal Policy, Ministry of Finance. Government procurement is governed by Implementing Rules and Regulations on Government Procurement of Goods, Construction, Repairs and Services (IRRs). All Ministries, bodies equivalent to Ministries, Provinces, Vientiane Prefecture together with all State-owned enterprises are bound to adhere to these rules and regulations. While international aid agencies are permitted to follow their in-house procurement rules, they may use the IRRs of the Lao PDR, if they prefer.

These rules and regulations originally came into effect in 1996 under the Procurement Decree No. 95/CM of 5 December 1995. Based on experience between 1996 and 1998, they were revised and re-issued with effect from 22 December 1998.

The objectives of the IRRs are to clarify the provisions of the Procurement Decree (i) by ensuring transparency; (ii) achieving regularity and uniformity; (iii) achieving economy and efficiency; and (iv) guaranteeing suppliers and contractors fair and equal access to the award of contracts. The IRRs envisages four methods of procurement: (i) limited bidding where the number of bidders may be limited to 3 to 5 individuals or companies capable of meeting the terms of the contract; (ii) local price comparison which allows the procuring entity to compare the prices from at least three domestic suppliers; (iii) international comparison which allows the procuring entity to compare the offers of at least three companies from at least two different countries; and (iv) direct contracting which allows the procuring entity to negotiate terms and conditions directly with one or more suppliers. The IRRs set out precisely when each of these procedures may be used, for example, in emergencies, for purchases below appropriate threshold values, no suitable bid, day-to-day purchasing, for purchases of works or goods where the annual aggregate value of such works or goods does not exceed the appropriate threshold values set out in the IRRs, where for technical reasons or for the protection of industrial property rights the contract may be only executed by one supplier or for additional supplies of additional works not exceeding 20 per cent of the original contract.

Invitations to bid are subject to clearly articulated notification requirements with respect to advertisements in mass circulation newspapers whether in Lao or English and whether published in the Lao PDR or internationally, simultaneous posting of bids under limited bidding and the need to allow reasonable time for bids taking account of the nature of the goods, services or works to be procured. The following minimum time limits must be observed. For normal procedure, these time periods are 45 days for public bidding, 30 days for limited bidding and price comparison and 20 days for direct contraction. For an accelerated procedure, these periods become 30 days, 15-20 days (domestic v international) and 10 days respectively. The notification shall include the identity of the procuring entity; a summary of the works, services or goods sought; address for the bidding documents, further information and submission of bids; cost of the bidding documents; procedural requirements; and final date for the submission of bids.

The IRRs elaborate the criteria for the selection of bidders including general suitability, financial capacity and technical ability as well as the creation and maintenance of a roster system which is a system of formal pre-qualification allowing qualified bidders to participate in the procurement procedure without further investigation.

The procurement procedures are executed through a permanent Procurement Committee which has to ensure strict adherence to the IRRs. If in doubt, the Procurement Committee may seek the advice of the Director of the ProMo on the correct application of the relevant procurement procedures. Where the decision of the Committee is subject to Ministerial approval, as in the case of high value contracts, such approval is to be withheld where the procurement is in breach of the IRRs.

The IRRs state that the criteria for awarding contracts includes an all-inclusive net price, as well the date of completion of the contract; running costs and cost effectiveness; after-sales service and technical assistance; commitments to spare parts, covering security of supply and price; and quality and technical merit of the works or supplies. The list of criteria is non-exhaustive. However, the procuring entity is obliged to specify in the bidding documents which criteria will be applied to bids. Finally, the IRRs defines the contract documents and explains the procedures for alteration of the contract, invocation of force majeure, compensation for delays in delivery or completion, arbitration and dispute resolution.

**(m) Regulation of trade in transit**

Trade in transit is covered by Articles 32 and 33 of the Lao PDR Customs Law. It permits locally produced goods and imported goods to be moved from one place to another within the Lao PDR through foreign territory. Such goods will be exempted from export duty and from exit and entry restriction rules. Goods transported from abroad under the transit regime through the Lao PDR to a third country shall be accompanied by guaranteed transit goods permits issued by the customs at the point of departure and will be exempted from customs duties.

**4. Policies affecting foreign trade in agricultural products**

**(a) Imports - i.e. comprehensive description of the types of border protection maintained: customs duties and/or any other border measures**

Agricultural products are subject to the same import licensing requirements as other imported products. These requirements are set out in detail in Annex 3.

Notification No. 870/MOC bans imports of certain agricultural products, namely chillies, aubergines, tomatoes, bananas, lemons and other fruits.

The tariff duty on imports of agricultural products (HS 01-24) is between 5 and 40 per cent, with the majority of tariff lines being 20 per cent or less. The simple average of import tariffs on products covered by the Agreement on Agriculture is 18.77 per cent. No tariff-rate quotas are applied.

With respect to the importation of rice, the right to apply quotas is reserved for food security purposes, notably when necessary to support the minimum farm-gate price set by the Lao PDR in order to maintain the country's productive capacity of rice. Quantitative restrictions may be applied on a case by case for food security reasons. However, there was no quota applied in recent years. The Ministry of Commerce and Tourism is in charge of administering the minimum farm-gate price and the import-licensing regime.

**(b) Exports - i.e. description of, and the budgetary expenditure and any revenue foregone involved in each of the export subsidy measure in place**

There are no export subsidies for agricultural products.

**(c) Export prohibitions and restrictions**

There are no prohibitions or restrictions on exports of agricultural products other than an export tax of 5 per cent on coffee beans and livestock. With respect to the export of rice, the right to apply controls is reserved for food security purposes.

**(d) Export credits, export credit guarantees or insurance programs**

There are no export credits, export credit guarantees, or insurance programs for agricultural products.

**(e) Internal policies - i.e. description of, and the budgetary expenditure and any revenue foregone involved in each of the domestic support measures in place**

The majority of the population lives in rural areas and depends on agriculture, and especially on rice production for their livelihood. Because of the central role of agriculture and especially rice

production in determining national welfare, the Government pursues a strategy designed to improve food output and food security. That strategy includes the following domestic support measures:

- provision of infrastructure services including electricity, roads and water reticulation and management;
- provision of extension services;
- research; and
- local level programs aimed at increasing food production, the stabilization of shifting cultivation (slash and burn), sustainable community based resource management and diversification of farming systems.

These programs are funded through the regular budget process. Many of these services are the policy responsibility of the Ministry of Agriculture and Forestry, but in most cases they are implemented by administrative authorities in the Provincial Governments. These programs take up to 15 per cent of the Government's total expenditure. They are often carried out in conjunction with foreign aid and other donor projects. These programs are of the type which are classified as Green Box domestic support under the WTO Agreement on Agriculture.

The Government has also introduced a scheme to increase rice production by enlarging the irrigation growing area from 22,000 hectares in 1997 to 100,000 hectares by the year 2000. Initially, the project was financed through the Bank of the Lao PDR but is now directly financed through the Government budget.

The Agricultural Promotion Bank provides loans to farmers and processors of agricultural products. Some of these loans are made at concessional rates of interest. The bank is wholly owned by the Government.

The public account system in the Lao PDR is based predominantly on a line budgeting system. Because of this there is no precise way to calculate the Government's expenditure on individual domestic support programs for the agricultural sector. As noted above, an additional difficulty in subscribing expenditure to individual programs is the close interrelationship between a number of activities undertaken by the Government and programs carried out under foreign aid and other externally funded projects. The Government is progressively introducing into the government financial system the concept of program budgeting, which will enable the notification to the WTO Working Party on Accession of the Lao PDR regarding expenditure on individual categories of domestic support.

## **5. Policies affecting foreign trade in other sectors**

### **(a) Textiles regime**

The simple average of import duties on textiles and clothing is 9.46 per cent. Other general measures applied to textiles trade is described in this Chapter above.

## **V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME**

### **1. General**

#### **(a) Intellectual property policy**

Effective protection for intellectual property is considered by Lao officials to be essential for the successful transition to a market economy. The Ministries with the principal responsibility for intellectual property in the Lao PDR are aware that more comprehensive intellectual property law is

required in the Lao PDR and have prepared a comprehensive program of legal reform that will enable the Lao PDR to meet existing and future obligations under various treaties - and in particular the WTO Agreement on Trade-Related Property Rights (the "TRIPS Agreement").

A Prime Ministerial Decree on Trademarks of 1995, is the only law that protects intellectual property in the Lao PDR. The Department of Intellectual Property, Standardization and Metrology, which is in the Science and Technology and Environment Agency (STEA) in the Prime Minister's Office, is in the process of putting the finishing touches on a comprehensive law that will protect patents, utility models, industrial designs and other areas of intellectual property rights to enable the Lao PDR to meet more fully its obligations under the 1979 Paris Convention for the Protection of Industrial Property (the "Paris Convention"), to which the Lao PDR acceded in 1998.

The Lao PDR is also envisaging the eventual adoption of laws to protect copyright and related rights to enable the Lao PDR to meet its obligations once it accedes to the 1979 Berne Convention for the Protection of Literary and Artistic Works (the "Berne Convention"). Lao officials are also considering laws that will enable the Lao PDR to comply with the 1961 Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the 1989 Washington Treaty on Intellectual Property in Respect of Integrated Circuits.

Besides preparation of legislation, the Government of the Lao PDR is struggling to modernize the intellectual property system, strengthen public awareness including preparing a homepage on intellectual property rights, develop further cooperation with WIPO and other intellectual property offices in the region particularly with ASEAN.

In this context, the Lao PDR urgently requires comprehensive technical assistance in the TRIPS area from the international communities, in particular from WTO members. In addition, the Lao PDR as a LDC would require a transitional period to comply with the TRIPS Agreement upon its accession to the WTO.

**(b) Responsible agencies for policy formulation and implementation**

The Government of the Lao PDR and the National Assembly are the highest organs of State which have the authority of formulating policies and preparing laws on intellectual property rights.

The Department of Intellectual Property, Standardization and Metrology has the overall responsibility for coordinating the implementation of policy on intellectual property. The Department of Legislation in the Ministry of Justice also plays a major role in the preparation of legislation on intellectual property. Other Ministries - including the Ministry of Information and Culture and the various Ministries responsible for agriculture, industry, commerce and the interior - also play a role in the development of intellectual property policy and law in the areas that come within their jurisdiction.

**(c) Membership of international intellectual property conventions and of regional or bilateral agreements**

The Lao PDR became a Party to the World Intellectual Property Organization (WIPO) in 1995. The Lao PDR is also a Party to the following multilateral and bilateral treaties:

- the Paris Convention, to which it acceded in 1998;
- a bilateral agreement with Thailand on Trademarks and other areas of intellectual property right (1996);
- multilateral treaty with ASEAN on a common filing system for trade marks and patents.

Preparations are being made to enable the Lao PDR to accede to the Berne Convention and the Lao PDR is virtually ready to accede to the Patent Cooperation Treaty. The Lao PDR is undertaking a long-term project with WIPO to increase awareness of intellectual property, to modernize legislation and to train personnel.

**(d) Application of national and m.f.n. treatment to foreign nationals**

In the only law that covers aspects of intellectual property in the Lao PDR, foreign nationals engaged in lawful production, commercial and service activities are entitled to register a trademark on the same basis as Lao nationals (Article 4 of the 1995 Prime Ministerial Decree on Trademarks). The Lao PDR is aware of the importance of granting national and MFN treatment to foreign nationals and there is an expectation that these principles will be honoured once the Lao PDR becomes bound by the TRIPS Agreement.

**(e) Fees and taxes**

The fees for trademark registration are set out in the Guidance on Registration of Trademark in the Lao PDR: They are as follows:

Trademark registration or trade mark renewal	US\$ 80 per mark
Each class	US\$ 5 per class
Transmission	US\$ 20 per mark
Consultation for the registration	US\$ 5 per mark
Search of Trademark	US\$ 10 per mark
Modification of items of the application	US\$ 10 per mark
Publication	US\$ 20 per mark
Application per form	US\$ 2 per mark

The protection of other categories of intellectual property has not yet begun in the Lao PDR and, consequently, fees and taxes related to these other areas have yet to be fixed.

**2. Substantive standards of protection, including procedures for the acquisition and maintenance of intellectual property rights**

**(a) Copyright and related rights, including rights of performers, producers of phonograms and broadcasting organizations**

There are no laws on copyright and related rights in the Lao PDR and there are no general legal principles which grant and protect copyright. As explained above, legislation is being prepared to accede to the Berne Convention.

**(b) Trademarks, including service marks**

The legal framework for the registration and protection of trademarks is found in the Trademark Decree issued by the Prime Minister of the Lao PDR in 1995. The objectives of the Trademark Decree are to:

- unify trademark protection throughout the Lao PDR;
- encourage commerce and foreign investments;
- stimulate production of quality goods;
- protect consumers; and
- suppress the infringement of protected goods and illegal commercial practices

The following is a summary of the more important provisions of the Decree.

### General Principles

Under the Trademark Decree, a trademark is defined as any visible sign capable of distinguishing the goods or services of an enterprise. It may consist of letters, words, signs, pictures or a combination thereof represented in one or more colours. It may be registered in the Lao PDR by any individual or legal entity, whether a Lao or foreign national, who is engaged in a lawful commercial or service activity. Before using a trademark which has been registered in the Lao PDR an individual or legal entity must receive the authority of the owner of the registered trademark and is required to notify the Department of Intellectual Property, Standardization and Metrology.

### Registration of Trademarks

The application for registration of a trademark is to be in Lao, and for foreign applicants it should be made in English. If the applicant is not a Lao resident he must register his trademark through a representative in the Lao PDR. The description of the trademark in the application is to fully reflect the intended purpose as well as the significance of each and every element of the mark. The documentation required for registration includes:

- a duly completed standard application form provided by the Department of Intellectual Property, Standardization and Metrology;
- ten specimens of the trademark;
- a list of the goods or services with the description of characteristics and quality that are to bear the mark (in accordance with the Nice Agreement on International Classification);
- documentation evidencing the legal owner;
- where priority is claimed, a certified copy of the application/certificate of registration evidencing the filing date and country where the application for trademark registration is first filed;
- the power of attorney in situations where the application has had to be made through a Lao representative (it appears that the representative must both be a resident in the Lao PDR and also be approved by the Department of Intellectual Property, Standardization and Metrology); and
- the receipts of the prescribed charges and fee paid.

The Department of Intellectual Property, Standardization and Metrology is expected to consider the application within six months of lodging, and upon approval, it registers the trademark in a national register and issues a trademark registration certificate. The registered mark is then published in a national gazette which is published quarterly and distributed free of charge to applicants and to the public. It takes within two months from the time of application to the grant of a certificate.

Upon issuance of the registration certificate, the trademark will receive protection in the Lao PDR for a period of ten years from the filing date of the application and can be renewed every ten years without limitation. If the owner does not file for the renewal application within six months of the expiration of the protection, the filing of the application will be struck off. The exclusive rights of the owner of a trademark cease if the owner does not use the registered trademark himself, or it is not used by another with the owner's consent, during a continuous period of five years, unless it can be demonstrated that special circumstances have prevented the use of the trademark.



#### Priority of Trademarks Registered Abroad:

If a trademark has already been registered abroad, the owner of the trademark has the right to demand priority dates for registration at the time the application for registration of such trademark is submitted to the Department of Intellectual Property, Standardization and Metrology. An application claiming such priority must include a trademark registration certificate which conforms to international regulations and the laws and regulations of the country where the trademark has been previously registered.

#### Trademarks that will not be registered in the Lao PDR include:

- trademarks which are not clear, and which do not identify any product or service;
- trademarks which conflict with the national culture and traditions, or which conflict with the morals of society; trademarks which may cause mistakes as to their meaning or significance (specifically trademarks which relate to geographic origins, genuineness or special features of products or services);
- trademarks which have been forged or copied;
- trademarks which comprise such symbols as national seals, national flags or emblems, or other symbols closely identified with a national culture or heritage;
- trademarks which comprise the names of countries or governments, international organizations, or organizations established by treaties;
- trademarks bearing official seals related to the inspection of or the guarantee of a government or international organization (except if approved by such government or international organization); and
- trademarks that are similar to trademarks or commercial names of products or services which have already been generally acknowledged.

#### Rights of Trademark Owners

Owners of registered trademarks have the exclusive rights: to use such trademarks themselves or to authorize others to use their trademark; and to sue individuals or legal entities which forge or use such trademarks without their approval.

#### Penalties

Individuals or legal entities who use trademarks in the Lao PDR without the approval of the trademark owners, or who otherwise illegitimately pursue the use of trademarks, are deemed to be in violation of the exclusive rights of the trademark owners, and are to be warned or judged in accordance with the laws of the Lao PDR as follows.

- Warning is made by administrative procedure in which the Department of Intellectual Property, Standardization and Metrology (DIPSM) is a focal point to invite parties concerned to discuss the alleged violation of the registered trademark. When the agreement is made between the parties, it should be agreed by the DIPSM.
- If the agreement is not reached, the petition could be referred to the Economic Arbitration Committee under the Ministry of Justice or to the Court.

#### **(e) Patents**

The draft Decree by the Prime Minister on Industrial Design and Patents has been finalized and is awaiting for approval by the Government.

- (f) **Plant variety protection**
- (g) **Layout designs of integrated circuits**
- (h) **Requirements on undisclosed information, including trade secrets and test data**
- (i) **Any other categories of intellectual property**

There are no specific laws to protect any rights acquired under the above-mentioned subjects, or any other category of intellectual property in the Lao PDR, and there are no general legal principles which provide protection. As already mentioned, legislation is being prepared to enable the Lao PDR to meet all its obligations under the relevant conventions and under the TRIPS Agreement.

### **3. Measures to control abuse of intellectual property rights**

The controls currently available against infringements of trademarks have already been described (see 2 (b) above). It appears that abuses which have been the subject of a complaint have been dealt with at the administrative level (See 4 (c) below) rather than channelled through the courts in civil or criminal proceedings.

### **4. Enforcement**

#### **(a) Civil judicial procedures and remedies**

There are formal procedures which provide for enforcement of civil judgements. There have been no cases where disputes involving intellectual property have been referred to courts for decision. It is acknowledged that the administrative structure which supports enforcement procedures needs strengthening. There are plans to strengthen the judicial system and to provide better training for those associated with it.

#### **(b) Provisional measures**

The courts have never applied provisional measures in relation to intellectual property. If a dispute involving intellectual property were referred to the courts they would have the authority, under the Civil Procedure Law, to issue “protective measures”, which may include seizing the defendant’s assets or enjoining the defendant from pursuing certain activities.

#### **(c) Any administrative procedures and remedies**

There is a tradition in the Lao PDR of settling disputes through administrative channels. There have been eight cases of disputes involving claims of trademark infringements so far, seven of which were settled by the Department of Intellectual Property Standardization and Metrology and one by the Committee on Economic Arbitration, which has been established by the Ministry of Justice.

Decisions made by the Ministry or the Committee on Economic Arbitration are not in themselves final, binding and enforceable. They must be “certified” by a court before they become enforceable. This means that a party to a dispute who is dissatisfied with an arbitral award can take the matter to a court, where they may initiate new proceedings.

Administrative decisions are usually delivered without delay. They are in writing and set out the reasons for the decision.

#### **(d) Any special border measures**

Decree on Trademarks deals with the importation of counterfeit goods relating to trademark. An aggrieved person may lodge a complaint to the Department of Intellectual Property,

Standardization and Metrology which will decide in cooperation with the customs authorities and other concerned Ministries, whether the goods which are the subject to the complaint is in violation of the trademark and thus it should be withheld or released.

The complainant is to be informed within a reasonable time whether the application for interception of the goods was accepted and, if so, what action is being taken to protect his rights. At the same time, the defendant in such an action has a right to put his case to the Department of Intellectual Property, Standardization and Metrology before a decision is taken, and if the decision is unfavourable, to appeal to the Committee on Economic Arbitration.

These administrative procedures have been applied effectively in relation to one case, in 1998, which involved the importation from Hong Kong of a counterfeit trademark of cigarettes.

**(e) Criminal procedures**

Criminal penalties, as well as civil procedures, for breaches of trademark are set out in the Decree of the Prime Minister on Trademarks. However, there are no such cases. The emphasis is put to solve any dispute amicably.

**5. Laws, decrees, regulations and other legal acts relating to the above**

The only law relating to intellectual property is the 1995 Prime Ministerial Decree on Trademarks. Other laws are under preparations.

**6. Statistical data on applications for and grants of intellectual property rights, as well as any statistical data on their enforcement**

Statistical data on applications for and grants of intellectual property rights are not collected but it can be assumed that applications and grants are low, compared to the Lao PDR's neighbouring countries. As already mentioned, there have been eight disputes involving trademarks which have been resolved and, at the time of writing, another one is pending.

**VI. TRADE-RELATED SERVICES REGIME**

**1. General**

Until recently, the public sector was the most important supplier of services in the Lao PDR. However, in line with the re-orientation towards a market-based economy, the Government has launched a process of broad-based privatization. Though the lack of available statistics in the area of services limits the detailed analysis of this sector, the breakdown of the major service sectors in the Lao PDR is shown in Table 5. Services comprise about 26 per cent of the Lao PDR Gross Domestic Product. The most important sector is wholesale and retail trade which constitutes about 35 per cent of the service sector. Next in importance is the transportation, storage and communication sector constituting about 22 per cent of the service sector. Hotels and restaurants make up 7.6 per cent, while banking, insurance and real estate constitute about 6 per cent.

Services	1993	1994	1995	1996	1997 (est.)
Transportation, storage and communication	35.4	36.9	43.6	48.0	52.9
Wholesale and retail trade	58.6	63.2	69.0	76.7	84.3

Services	1993	1994	1995	1996	1997 (est.)
Banking, insurance, and real estate	7.8	8.5	12.0	11.7	15.3
Ownership of dwellings	25.3	27.5	28.4	30.1	30.6
Public wage bill	31.0	28.9	27.6	27.7	28.0
Nonprofit institutions	10.5	10.1	9.9	10.6	12.4
Hotel & Restaurants	6.0	9.2	12.4	15.0	18.6
Other	1.1	1.1	1.3	1.4	1.8
Total services	175.6	185.4	204.3	221.6	243.9
GDP at factor cost	707.1	764.0	814.9	871.8	932.9
Services as per cent of GDP	24.8%	24.3%	25.4%	25.4%	26.1%

(Source: Data provided by Lao PDR authorities and IMF staff estimates)

The economic development of the Lao PDR, as a least developed country, is hampered because the infrastructure for services is underdeveloped. Thus, the development strategy in services attaches priority to improvement of transport, communication, and banking as well as education and tourism services. From the trade perspective, tourism-related services have so far been the most prominent service sector in the export of services as indicated in Table 6. Development of services industries is viewed as one of the priority areas in developing the domestic economy. Foreign investment in services and foreign companies in general, are leading the development of the service sector, especially, in the hotel industry, courier, environmental services, banking and education.

Years	1994	1995	1996	1997	1998 (est.)
Share of exports in GDP	19.5%	17.5%	17.2%	20.5%	24.7%
Share of tourism-related services in total export of services	76.5%	76.0%	78.7%	73.9%	82.2%

(Source: Based on IMF Direction of Trade data)

The key features of policy on trade in services and the relevant aspects of market access and national treatment are explained in parts 2 and 3 of this chapter. The detailed discussion of the investment policies concerning both goods and services is presented in Part II of the Memorandum in the Section, "Economy: (d) Domestic and foreign investment". As stated therein, the foreign commercial presence is regulated at the economy-wide level through the provisions of the law on Promotion and Management of Foreign Investment in the Lao PDR of 1988 and as amended by Presidential Decree No. 23 of 21 April 1994. At present, the law requires all foreign investors to obtain licenses from the Foreign Investment Management Cabinet (FIMC), in the Prime Minister's Office. This is discussed in Section IV.1.(a).

## I. BUSINESS SERVICES

### 1. Professional services

#### (a) Legal services

The Ministry of Justice is the regulatory agency overseeing the legal profession. Laotian lawyers are trained at the Law School and upon completion of their education are obliged to undergo an internship between 12 and 18 months either at the Ministry of Justice

or at the State Prosecutor's Office. Foreign nationals can practice law as legal consultants but may not represent clients directly in the court. According to the Article 13 of the Prime Minister's Decree No. 64/PM of 21 February 1996 on the establishment and activity of the Lao Bar Association, membership in the Association is necessary to practice law in the court. However, membership in the Lao Bar Association is limited to nationals.

Commercial presence in the Lao PDR is necessary to practice law. No specific limitations are applied on the form of establishment. At present, legal consultancy services may be also supplied by the foreign natural persons under the contract.

(b) Accounting and auditing services

The Ministry of Finance is responsible for overseeing the accounting services, whilst the National Audit Office is responsible for overseeing auditing services.

The relevant legislation includes: (i) the Law No. 12/90/PSA of 29 November 1990 on Enterprise Accounting; (ii) Prime Minister's Decree No. 05/PM of 24 January 1992 on the Implementation of the Enterprise Accounting Law; (iii) Prime Minister's Decree No. 161/PM of 26 August 1996 on the Establishment of the Accounting Board and the Accountant Professional Body, (iv) Prime Minister's Decree No. 159/PMO of 26 August 1996 on Auditing, (v) Prime Minister's Decree No. 174/PM of 5 August 1998 on the Establishment of the National Audit Office.

Law No. 12/90/SPA on enterprise accounting was promulgated in order to expand the use of accounting in all economic and social activities of enterprises in order to establish a coherent national accounting standard and thereby establishes a consistent basis of accounting under the market oriented conditions. As a follow-up to the Accounting Law, the Prime Minister's Decree No. 05/PM of 24 January 1992 puts in place the implementing rule for the law on accounting. Decree No. 161/PM of 26 August 1996 moves the regulatory regime further towards organizing the accounting profession.

The Prime Minister's Decree No. 161/PM stipulates two ways of obtaining licence for temporary presence of foreign service providers. A foreign national may acquire licence to practice as a certified public accountant or accounting consultant provided that there is a bilateral agreement or contract with the country of origin. Otherwise, the Professional Accounting Body can authorize a foreign expert to practice as a certified public accountant or accounting consultant, if he or she is from a country which is a member of the International Accounting Standards Committee and if the following requirements are fulfilled:

- possession of a diploma equivalent to the standards of the Lao professional accountants and approval has been obtained from the Equivalence Qualification Committee;
- employment of Lao nationals in proportion with the current practice of the professional sector;
- provision of continuous and necessary training;
- be of good moral standard; and
- be financially certified by the appropriate Lao authority.

Foreigners so licensed, must accept the obligations of members of the Professional Accountants Body but are not entitled to membership of the Body.

## 2. Computer and related services

This is an open sector to trade. Expertise is highly sought and no sector specific regulations have been yet developed or are considered as necessary at the present.

## 3. Research and development services

No specific measures have so far been developed that affect provision of services by a foreign service provider in the services other than general requirements governing establishment of businesses by foreign nationals in the Lao PDR.

# II. COMMUNICATION SERVICES

## 1. Postal services

The postal service was separated from telecommunication on 1 March 1995 with the state-owned *Entreprise des Postes Lao (EPL)* established to provide universal postal service. EPL is an exclusive provider of this service at the present. Market access for natural persons in postal service is limited to the supply of services by nationals of the Lao PDR. The Department of Posts and Telecommunication within the Ministry of Communication, Transport, Post and Construction (MCTPC) acts as the supervisory authority in the area of postal service. The postal network comprises a total staff of 450 operating one Mail Center in Vientiane, 17 post offices, 16 EPL provincial branch post offices, 70 District post offices and 27 rural post offices. About 134 postal agencies also operate in areas where there is no post office. In terms of the commercial aspect of its operations, EPL is just able to cover its operating expenditure from its revenues.

The volume of mail is not high but is increasing. Table 7 indicates the mail items handled by the postal system in 1997 and 1998. As the table shows, the volume of international mail is substantially more than domestic mail.

Mail Categories	Domestic		International			
			Outgoing		Incoming	
	1997	1998	1997	1998	1997	1998
Letter mail	358,118	306,084	829,551	919,348	506,708	505,760
Small packets	2,248	1,654	21,965	37,305	16,175	19,113
Printed matter including books	13,909	11,056	20,586	36,634	139,425	128,077
Newspapers	2,873,817	3,393,316	---	---	---	---
Parcels	297	633	3,963	6,065	9,789	9,712
EMS	16,039	31,740	4,055	4,280	20,589	22,410

(Source: *Entreprise des Postes Lao (EPL)*)

## 2. Courier services

A number of foreign companies, such as DHL, TNT, EMS, OCS and FedEx, provide courier services in the Lao PDR, established under the general rules and economy-wide regulations.

### 3. Telecommunication services

Basic data for the Lao PDR telecommunication sector is set out in Table 8. The total number of telephone lines was 29,626 in 1997 growing by 19 per cent to some 35,303 in 1998. In 1997, mobile phones comprised 16.6 per cent of total subscribers increasing to 18.3 per cent in 1998.

Item	1997	1998
Automatic	24 553	28 005
Magnetic	161	162
Public	---	194
Mobile	4 912	6 453
Package-switched	---	489
Total number of telephones	29 626	35 303

(Source: Ministry of Communication, Transport, Post and Construction)

Table 9 indicates that connections to the private sector comprised about 85 per cent of total connections as of 1998, while international organizations took up 16 per cent and the state sector 11.5 per cent.

Item	1997	1998
State sector	3 805	4 056 (11.5%)
International organization	538	569 (16.1%)
Private sector	19 598	29 866 (84.6%)
LTC	773	812 (2.3%)
Total number of telephones	24,714 (excl. mobile)	35,303 (incl. mobile)

(Source: Ministry of Communication, Transport, Post and Construction)

The Department of Posts and Telecommunication is currently responsible for the regulation of the telecommunication sector. The regulatory framework has not been fully developed in the Lao PDR telecommunication sector. A draft law on the telecommunication is under consideration at present, which is expected to establish the new institutional structure, regulatory principles and to create legal basis for opening up of the market in mobile services. The market itself is under development with a current penetration rate of about 1 mainline per 100 persons and the need for a massive expansion and modernization.

To date, Lao Telecommunication Company is the sole provider of telecommunication services in the Lao PDR, which operates as a joint venture with 49 per cent of foreign capital.

Internet: In the Lao PDR, Internet usage began in 1996 with the use of servers based in Thailand, with some subscribers continuing to use this avenue for accessing Internet service. With sharply increasing demand, a Satellite company Globe Communications Electronic started to operate Internet services in 1997 under a pilot scheme supported by the Ministry of Information and Culture. At present Lao Telecom also provides Internet services, connecting Internet servers with SingTel and using a gateway based in Singapore. The sharply increasing demand has not been fully met by the existing facilities.

### III. CONSTRUCTION AND RELATED ENGINEERING SERVICES

Construction services come under the supervision of the Ministry of Communication, Transport, Post and Construction. The major construction projects often include a large component of external financing from official bilateral and multilateral donors. There is open bidding for tenders on large projects and international construction companies often receive contracts to perform the construction work. Construction work for buildings and related to civil engineering may be provided by companies, established in the Lao PDR as joint ventures with one or more domestic Lao investors and with at least of 30 per cent of foreign capital participation, also wholly foreign owned enterprises or branches.

### IV. DISTRIBUTION SERVICES

The laws which are relevant to distribution services, are: Business Law No. 3/94/NA, dated 18 July 1994; Regulations of the Ministry of Commerce No. 463/MOC, dated 8 December 1993 on the authorization to operate the wholesale trade and No. 464/MOC dated 8 December 1993 on the authorization to operate the retail trade. Distribution channel in this country includes wholesalers and retailers. Import-export companies usually act as wholesalers. There are no special provisions regarding involvement of foreign operators in wholesale trade. Most retail trade is in the hands of small private retail stores, and private mobile vendors. Business Law provides that employment is limited to nationals in retail trade.

### VII. EDUCATIONAL SERVICES

The Lao PDR with a population of about five million has a rate of 250 graduate students per 100,000 people. The Lao PDR recognizes the crucial importance of education and has been strongly supportive of foreign participation in the supply of private education.

Decree No. 64/PM, dated 14 August 1995, allows private schools to operate. The Bureau of Private Education located within the Ministry of Education regulates suppliers of private education applying guidelines set out in the Prime Minister's Decree No. 64. The objective is to upgrade private education in order to complement state supplied education thereby reducing pressure on the Lao PDR national education budget. The policy of encouraging supply of private education has been successful. In 1991 there were 73 private schools employing 335 teachers with 9,591 students, by 1999 this number had risen to 197 schools, 1,209 teachers and over 37,000 students. In 1999, there were four tertiary level colleges in the Lao PDR offering diplomas in four-year programs, with a combined enrolment of 2,700 students.

### VI. ENVIRONMENTAL SERVICES

Sewage, refuse disposals and sanitation fall under the portfolio of Ministry of Communication, Transport, Post and Construction. Only 18 per cent of the population have access to adequate sanitation and 44 per cent to safe water supply. Foreign participation is allowed and encouraged in accordance with the general provisions on investment in sewage, refuse disposal and sanitation services. These services could be provided for households and industrial and commercial establishments. Concessions are granted for servicing selected districts. However, companies are operating with low profit margins in this area. For example, in Vientiane, where five private companies were established in the beginning of 1993, only one private company is still operating along with the municipal service provider in the area of garbage collection. This is Lao Garbage Co with a 100 per cent foreign capital investment and which has been granted a concession for operating garbage collection from



households and outdoor sweeping services for a 15 year period. Good sanitation cannot be provided in most municipalities, because of a lack of funds and investment, low participation of households, insufficient public awareness, and inadequate equipment.

## VII. FINANCIAL SERVICES

### 1. All insurance and insurance-related services

The insurance services sector is regulated by the Ministry of Finance. The insurance sector is governed by Law No. 11/90/PSA of 18 December 1990 and a related Decree No 01/PMO of 23 January 1992). Further specification of the mode of operation in the provision of insurance services are expected to be developed in the years to come. The market is open to foreign investment and competition. At present, there is one insurance company operating in the country, the Assurance Generale de Laos (AGL), which is a joint venture between the Government of the Lao PDR and the AGF of France. The Government has a 49 per cent share in the company and AGF holds 51 per cent. The authorized capital of the AGL is US\$2 million. The type and share of insurance services is shown in Table 10.

Type of Insurance	Share
Automobiles	30 %
Fire	40 %
Accident	20 %
Other	10 %

(Source: Ministry of Finance)

### 2. Banking and Other Financial Services

The Bank of the Lao PDR is in charge of the country's monetary policy as well as of the supervision of the banking sector. The Law No. 05/95 of 14 October 1995 on the Bank of the Lao PDR and amended on 14 October 1999 provides the legal basis in this respect.

All forms of foreign commercial establishment may be present in the commercial banking sector in the Lao PDR. The establishment of branches, however, is limited to the municipality of Vientiane, but no restrictions apply for establishment through incorporation. The minimum capital requirement is applied for prudential considerations and is US\$10 million at the present. In addition, natural persons must have of the bankers' qualifications in order to be appointed as bank managers.

The intermediate steps in developing the financial market in the coming years are to: (a) maintain and continue the current accessibility of the Lao financial market for foreign banks through branching and direct investments; (b) improve the technology and human resource capability in the banking sector; (c) improve and strengthen supervision by the central bank through improved techniques, rules and procedures and technical personnel; and (d) improve the banking environment in general.

Decree No. 01/NA of the President of the Lao PDR on Commercial Banks of 11 March 1997, stipulates the range of banking activities which are permitted in the Lao PDR. They include

acceptance of deposits in kip, US dollars and in Thai baht. Commercial banks are authorized to mobilize deposits of different types such as demand deposits, savings deposits, and other types of deposits, including sales of Treasury Bills and Central Bank Bills to the public.

Commercial banks must guarantee the withdrawals by their customers on demand, or in accordance with the agreement for the types of deposits they offer, and maintain confidentiality of information concerning customer accounts. Commercial banks may determine their own interest rates on deposits within the general guidelines issued periodically by the central bank. The banks must pay the interest on deposits that have been agreed upon.

A commercial bank may extend credit to its customers, may discount bills, bonds or other commercial papers from its paid up capital, from its liability deposits, from borrowed funds from other commercial banks or from other financial institutions. In case of insufficient funds, a commercial bank may request additional loans from the central bank in the form of temporary advance or by selling bills in accordance with regulation of the central bank. The types of credit that may be extended by a commercial bank are: temporary advance, overdraft, current loans, short-term loans (one year or less), medium-term loans (1 to 3 years) and letters of credit for export and import.

In addition to accepting deposits, serving withdrawals and extending credits; a commercial bank may perform the following additional commercial banking services: transferring money, clearing items, dealing in foreign exchange and issuing letters of guarantee.

The commercial bank legislation requires compliance with central bank regulations concerning prudential requirements relating to ratios, including: capital adequacy, lending to large customers of commercial banks and financial institutions, policies on soundness, credit policy, treatment of failed banks, loan classification and foreign currency exposure.

A commercial bank must follow the conditions set by the central bank in buying and selling foreign exchange or establish foreign exchange bureaus and the central bank supervises the foreign exchange transaction. The total net foreign exchange position of a commercial bank is evaluated by the end of each month. Losses from buying and selling may be debited as expenditure. The gain from buying and selling may be credited by the commercial bank as revenue of the bank.

## VIII. HEALTH RELATED AND SOCIAL SERVICES

The public system of hospitals includes a central university hospital and five regional hospitals, as well as 13 provincial and 150 small district hospitals and health posts. Although private investment, including foreign, is not restricted in the area of hospital services since 1998, no hospitals have been opened to date.

The demand for health care services has been exceeding the capacity of local supply as well as the budgetary financial resources needed to this end. A cost recovery system was implemented in the bigger hospitals, supported by the introduction of health insurance schemes for public employees. The Prime Minister's Decree No. 52 of 1995 provided the necessary legal framework for these changes. The lack of doctors and the need for their continuous training have not been solved so far. Foreign medical specialists are allowed to work in the hospitals provided that they are suitably qualified, as judged by the Ministry of Public Health. Ministry of Public Health on the basis of the adequate education received and experience and possess a work permit from the Ministry of Labour and Social Welfare. To

reflect the most recent changes, the Law on Health is being prepared wherein the criteria and conditions for establishment of hospitals will be detailed.

## IX. TOURISM AND RELATED SERVICES

The development of the tourism industry is important to the Lao PDR economy because it has the potential to create jobs, earn foreign exchange and make a significant contribution to the country's economic development. As Table 11 indicates, in 1995, tourism contributed an estimated 24.7 million US dollars of 'export revenue' to the Lao PDR economy, rising to 43.6 million in 1996 and to 73.3 million in 1997. These figures keep rising, in 1998 it reached US\$79.9 million and 97.3 million in 1999. The Lao PDR is aiming to increase the number of tourists to about 1 million in 2000. Regulations relating to tourism are covered by government decrees. Decree No. 100/PM dated 23 December 1992 was issued by the Prime Minister on the establishment and activities of the National Tourism Authority. Other relevant regulations have been subsequently issued: Regulation No. 1150/PM, dated 25 October 1993 on the Establishment and Activities of Travel Agencies; Notification No. 1289/PM, dated 19 November 1993, on the Administration of the Tourism Sector; Regulation on the Supervision of Hotels and Guest House Business Activities No. 159/PM, dated 30 July 1997.

Year	Number of Tourist Arrivals	Change(%)	Average Length of stay (days)	Revenue from Tourism US\$
1990	14,400	--		Not available
1991	37,613	161.2		2,250,000
1992	87,571	132.8		4,510,000
1993	102,946	17.6	3.5	6,280,000
1994	146,155	42.0	5.1	7,557,600
1995	346,460	137.1	4.3	24,738,480
1996	403,000	16.3	4.1	43,592,263
1997	463,200	14.9	5.0	73,276,904
1998	501,200	7.9	Not available	79,9
1999	614,278	22.5	Not available	97,265,324

(Source: National Tourism Authority of Lao PDR, Lao Tourism Statistical Report 1997, Statistics, Planning, marketing and Co-operation Division, page 4)

In October 1997, the Lao PDR introduced changes in conditions governing investment in international hotel operations. Investment is promoted in two or more star hotels with at least fifteen rooms' capacity. Foreign investment can take the form of a joint venture with Lao nationals so long as there is a minimum of 30 per cent foreign equity participation, or it can be a wholly foreign-owned enterprise. Foreign nationals may be engaged under a short-term contract for senior level managerial positions, as they concern services related to tourism. Tourist guide services are limited to the Lao PDR services suppliers. There are no restrictions on foreign operators of restaurants although a licence renewable annually must be obtained.

## X. RECREATIONAL, CULTURAL AND SPORTING SERVICES

The Ministry of Information and Culture provides general oversight for activities in the area of cultural services and mass media services. The treatment of entertainment services as commercial activity is relatively recent in the Lao PDR and the legal instruments have not been fully developed with a number of new laws is being promulgated in the area of

entertainment services at present. The domestic market is relatively small for these services but is open to foreign participation in the area of entertainment services, including theatre, live performances and circus, provided that the performers have proven ability to supply the service. At the same time, national artists have been successful in performing traditional dances and songs abroad, suggesting that this could become an important area of service exports.

## XI. TRANSPORT SERVICES

To provide transport services, foreign companies should establish a joint venture with a Lao company. The Law on Road Transportation No. 03/97/NA of 12 April 1997 provides the legal basis for the commercial activities in the transport sector.

There is no railway system in the Lao PDR. Road transportation is essential and the most important sub-sector of transport services. Table 12 indicates use of various forms of passenger transport during 1997 and 1998. Passenger transport by motor vehicles made up about 92 per cent of transport in 1998. 6 per cent of passengers were transported by river and 1.5 per cent by air in 1998.

Year	Total	By motor vehicles	By river	By air
1997	19 996	18 009	1 599	388
1998	18 897	17 491	1 126	278
% share in 1998	100	92.6%	6%	1.5%

(Source: Ministry of Communication, Transport, Post and Construction and Lao Aviation)

## 2. Policies affecting Trade in Services

### (a) Government departments, agencies, professional associations or other bodies with authority or role relevant to the conduct of service activities

GATS Services Sectoral Classification List	Government Departments Relevant to Conduct Service Activities
<b>SECTORS AND SUB-SECTORS</b>	
<b>BUSINESS SERVICES</b>	
<b>Professional Services</b>	
Legal Services	Ministry of Justice, Lao Bar Association
Accounting, auditing and book keeping services	Ministry of Finance, National Audit Office, Association of Accountants, Professional Accounting Body
Taxation Services	Ministry of Finance
Architectural services	Ministry of Communication, Transport, Post and Construction
Engineering services	Ministry of Communication, Transport, Post and Construction
Integrated engineering services	Ministry of Communication, Transport, Post and Construction
Urban planning and landscape architectural services	Ministry of Communication, Transport, Post and Construction
Medical and dental services	Ministry of Public Health
Veterinary services	Ministry of Agriculture and Forestry

GATS Services Sectoral Classification List	Government Departments Relevant to Conduct Service Activities
Services provided by midwives, nurses, physiotherapists and para-medical personnel	Ministry of Public Health
Computer and Related Services	Science, Technology and Environment Agency
Research and Development Services	Science, Technology and Environment Agency
R&D services on natural sciences	Ministry of Public Health
R&D services on social sciences and humanities	Ministry of Education (National University of Laos)
Interdisciplinary R&D services	Science, Technology and Environment Agency
Real Estate Services	Ministry of Finance
Rental/Leasing Services without Operators	
Relating to ships	Ministry of Communication, Transport, Post and Construction
Relating to aircraft	Ministry of Communication, Transport, Post and Construction, Civil Aviation Department
Relating to other transport equipment	Ministry of Communication, Transport, Post and Construction
Other Businesses	
Advertising services	Ministry of Information and Culture
Management consulting service	Ministry of Commerce and Tourism
Services related to management. consulting	Ministry of Commerce and Tourism
Technical testing and analysis services	Science, Technology and Environment Agency; Ministry of Industry
Services incidental to agriculture, hunting and forestry	Ministry of Agriculture and Forestry
Services incidental to fishing	Ministry of Agriculture and Forestry
Services incidental to mining	Ministry of Industry and Handicraft
Services incidental to manufacturing	Ministry of Industry and Handicraft
Services incidental to energy distribution	Ministry of Industry and Handicraft
Placement and supply services of Personnel	Ministry of Education Ministry of Labour and Social Welfare
Investigation and security	None
Related scientific and technical consulting services	Science, Technology and Environment Agency
Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)	Ministry of Communication, Transport, Post and Construction
Building-cleaning services	None
Photographic services	None
Packaging services	None
Printing, publishing	Ministry of Information and Culture
Convention services*	None
COMMUNICATION SERVICES (except D)	Ministry of Communication, Transport, Post and Construction
Audio Visual Services	Ministry of Information and Culture
CONSTRUCTION AND RELATED ENGINEERING SERVICES	Ministry of Communication, Transport, Post and Construction
DISTRIBUTION SERVICES	Ministry of Commerce and Tourism
EDUCATIONAL SERVICES	Ministry of Education
ENVIRONMENTAL SERVICES	Ministry of Communication, Transport, Post and Construction; Vientiane Municipality Sewage Services
FINANCIAL SERVICES	
All insurance and insurance related services	Ministry of Finance
Banking and other financial services	Bank of the Lao PDR
HEALTH RELATED SERVICES	Ministry of Public Health

GATS Services Sectoral Classification List	Government Departments Relevant to Conduct Service Activities
TOURISM AND TRAVEL RELATED SERVICES	Ministry of Commerce and Tourism (National Tourism Authority)
(A-C) RECREATIONAL AND CULTURAL SERVICES	Ministry of Information and Culture
Sporting and Other Recreational Services	National Sports Committee
TRANSPORT SERVICES	Ministry of Communication, Transport, Post and Construction

**(b) Judicial, arbitral or administrative tribunals or procedures providing for the review of, or remedies in relation to administrative decisions affecting trade in services**

The same procedures apply in the area of services as in the area of goods.

**(c) Provisions, including in international agreements, concerning qualification requirements and procedures, technical standards and licensing and/or registration requirements for supply of services**

A single licence is required for the supply of services in the Lao PDR. Application for the establishment of the foreign commercial presence must be submitted to the Foreign Investment Management Cabinet (FIMC), Prime Minister's Office. Prior to the approval by FIMC, application is sent to the line ministries for expert evaluation. Feasibility of the business undertaking is evaluated in view of the applicant's competence and ability to provide services. Licence is issued without undue delay and on the automatic basis when approval from the line ministries concerned (as indicated in the table above, under(a) ) is received.

Foreign Investment Management Cabinet is a new government agency and is still considering how to improve and simplify the procedure for attracting investment. The drafting of the relevant legislation is in progress at the present.

The criteria for issuing licence have been developed in accountancy services and minimum requirements for establishment in the banking sector. These have been detailed in the corresponding sections. Where no legislation has been established yet, ability to supply the service and qualification requirements is used as the principle.

**(d) Provisions governing the existence and operation of monopolies or exclusive service suppliers**

Small private companies are a typical feature of domestic economy and they are not able to provide services in sectors, which require significant capital investment and foreign capital is not readily available. The drafting of legislation is underway in some sectors.

The Government is an exclusive provider in the areas of natural monopolies for the supply of water.

The first licence has been granted (until 2020) to Lao Telecommunication Company in the area of telecommunication services with the exclusivity period due to expire in 2001.

**(e) Provisions relating to safeguard measures as they apply to trade in services**

So far, no safeguard measures have been applied to trade in services.

**(f) Provisions relating to international transfers and payments for current transactions of services**

The Lao PDR is facing serious financial difficulties associated with the balance of payments deficit. This necessitates the use of restrictions for maintenance of financial reserves in order to meet the development objectives. The mechanism has not been developed yet for this purpose, thus the Bank of the Lao PDR must approve the international transfer in hard currency. The approach is being considered at the present on how to maintain financial reserves with minimum restrictions on trade and investment. Companies are free to make international transfers on their hard currency earnings. Minimum paid-up capital may not be transferred from the Lao PDR abroad unless justification is provided to the Bank of the Lao PDR.

**(g) Provisions relating to capital transactions affecting the supply of services**

See (f).

**(h) Procedure governing procurement of services by government agencies of services**

Procedures for government procurement in services are the same as those for goods.

**(i) Provisions concerning any form of aid, grant, domestic subsidy, tax incentive, promotion scheme affecting trade in services**

Lower preferential taxes are applied for the projects involving foreign investment. In addition, exemptions on profit taxes may also apply to foreign investment projects. In accordance with the Domestic Investment Promotion Law No. 03/95/NA, dated 14 October 1995, domestic investors in sectors identified as preferential may qualify for the tax incentives and promotion scheme from the Government, comparable to those provided to foreign investors.

**3. Market Access and National Treatment**

**(a) Limitations on the number of service suppliers**

So far, no other quantitative limits on the number of service suppliers have been in place except in the area of the natural monopoly in the supply of public water and electricity, telecommunications and postal services.

**(b) Limitations on the total value of the service transactions and assets**

No limitations on total value on services transactions have been introduced so far.

**(c) Limitations on the total number of service operations or on the total quantity of service output**

None, except in the case of public utilities, telecommunications and postal services.

**(d) Limitations on the number of natural persons that may be employed in a particular service sector**

All foreign nationals are required to obtain a work permit from the Ministry of Labour and Social Welfare. Temporary entry and stay may not exceed a period of one year for the supply of services in the Lao PDR. The permit may be renewed upon expiry. The Ministry of Labour and Social Welfare will not accept applications for work permit renewal, of less than thirty days.

Provisions in Business Law No. 03/94/NA, dated 18 July 1994, establishes services activities which are limited to natural persons of Lao nationality. They are: services incidental to forestry, services incidental to manufacturing, retail services, teaching Lao language to foreigners, clerical or secretarial services, tourist guides, road transport services, building-cleaning services, postal services, security guard services.

Employment of assistants of Lao nationality is a requirement in the accountancy services under the provisions of the Prime Minister's Decree No. 161/PM of 26 August 1996 on the Establishment of the Accounting Board and the Accountants Professional Body.

Foreign investors may employ foreign skilled personnel and foreign experts, however the priority should be given to Lao nationals.

Foreign investors have an obligation to upgrade the skills of their Lao employees.

**(e) Restrictions on, or requirements of specific types of legal entities through which a service may be supplied**

All forms of commercial establishment are allowed in the Lao PDR. To establish a joint venture, foreign partners must contribute at least 30 per cent of the equity. Foreign investors can open a representative office and also establish as a branch and as a fully foreign owned enterprise incorporated in the country.

Branches of foreign banks in the banking sector may be established only in Vientiane. Foreign companies must establish joint ventures to provide transportation services.

**(f) Limitations on the participation of foreign capital**

There is no ceiling on the participation of foreign capital invested in the Lao PDR.

**(g) Measures providing for less than the treatment accorded to national services or service suppliers**

Foreign persons are allowed to use land, but possession is limited to the citizens only, as established by the Land Decree No. 33/PO of the Prime Minister, adopted in 1992. The Ministry of Finance issues all regulations regarding the administration of land use, including land registration certificates and collecting taxes. The Ministry of Communication, Transportation, Post and Construction administers regulations regarding to easements related to communication, transportation, construction, and other related service sectors. Foreign persons conducting legal activities in the Lao PDR may lease land from the State. Foreign investors may obtain lease of land for 50 years, which may be extended. To lease land from Lao citizens, approval must be obtained from the provincial, prefecture or administrative authorities where the land is located, which then must be approved by the Ministry of Finance. All land leases of an area larger than ten thousand hectares must be approved by the National Assembly.



#### **4. Most-Favoured-National Treatment**

There is no general discrimination against foreign service providers. To practice as a certified public accountant, licenses will be issued only for those foreign natural persons who are nationals of countries with which bilateral agreements have been signed in this regard.

Bilateral agreements on provision of cross-border transportation services have been signed with Vietnam, People's Republic of China, Thailand, and Cambodia. A tri-party agreement for provision of cross-border road transportation services has been signed with Vietnam and Thailand.

### **VII. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES**

#### **1. Bilateral or plurilateral agreements relating to foreign trade in goods and trade in services**

Bilateral agreements have been signed between the Lao PDR and China, the European Union, Malaysia, Myanmar, the People's Republic of North Korea, Thailand and Vietnam. For details see Annex 7. Only the agreement with the European Union provides for preferential treatment for Lao PDR exports, granted under the EU GSP Scheme. The list of bilateral agreements is in Annex 7.

#### **2. Economic integration, customs union and free-trade area agreements**

The Lao PDR joined the ASEAN Free Trade Area (AFTA) in July 1997. Under AFTA, the Lao PDR is entitled to preferential access to ASEAN markets and provides reciprocal access to other ASEAN countries in its markets through the Common Effective Preferential Tariff (CEPT) Agreement.

The CEPT Agreement obliges members to reduce tariffs under the CEPT scheme to 0 per cent. Timetables for reductions vary according to when countries joined ASEAN. The original six members of ASEAN are committed to reduce most tariffs to a maximum of 0 per cent by 2003. The commitment of the Lao PDR is to reach this target by 2008.

However, two categories of products are excluded from the above timetable. One is products on what is called the "Sensitive List". These are mainly unprocessed agricultural products. They have to be reduced to a maximum of 0 to 5 per cent by the year 2010 for the ASEAN Six and 2015 for the Lao PDR. The other is products on the General Exceptions List.

Products falling within the first target dates for tariff reductions under AFTA are divided between an Inclusion List and a Temporary Exclusion List. When products are listed in the Inclusion List, a right of access at the preferential rate is established, subject to a reciprocity right being satisfied. If tariffs of both countries are over 20 per cent, then access at the preferential rate is not granted. Products set out in the Temporary Exclusion List do not create rights of access at preferential rates until they are shifted to the Inclusion List. All AFTA members are under an obligation to shift tariffs on the Temporary Exclusion List to the Inclusion List so that they are reduced to 0 per cent by the target date.

The Lao PDR has listed 1247 tariff lines on its Inclusion List (35.1 per cent of its total tariff lines) and 2126 tariffs on the Temporary Exclusion List (59.8 per cent). The effect of these commitments will mean that by 2008, 94.9 per cent of the total tariff lines of the Lao PDR for trade with other ASEAN countries will be at a maximum of 5 per cent. The tariff commitments of the Lao PDR to AFTA have been supplied to the ASEAN secretariat.

As a member of ASEAN, Lao PDR is also member of the ASEAN Framework Agreement on Services. The Agreement commits members of ASEAN to make commitments to open services markets which go beyond the commitments made under the GATS Agreement. It does not create an obligation to provide national treatment to other members of AFTA.

Seven areas have been identified for priority - Transport, Construction, Finance-Banking, Maritime Transport, Business Services, Telecommunication and Tourism Services. Lao PDR has made commitments in these sectors. Details have been provided to the ASEAN Secretariat.

The Lao PDR is also a member of the ASEAN investment area agreement. This obliges members of ASEAN to remove barriers to investment from other ASEAN countries. Commitments are being developed.

### 3. Labour markets integration agreements

The Lao PDR is not a member of any labour market integration agreement.

### 4. Multilateral economic cooperation, membership in the multilateral economic organizations, trade-related programmes of other multilateral organizations

The Lao PDR joined ASEAN in 1997. It is a member of the United Nations and therefore participates in ESCAP and UNCTAD.

List of Lao PDR's Membership of International Organizations	
Organizations	Date of Membership
Association of South-East Asian Nations (ASEAN)	23 July 1997
Asia Development Bank (ADB)	
Authorities Internationale des fond Maritimes	
Bureau of International Exhibition (BIE)	
Economic and Social Commission for Asia and the Pacific (ESCAP)	
Food and Agriculture Organization (FAO)	9 August 1960
Franco Phonie	
International Civil Aviation Organization (ICAO)	9 August 1960
International Development Association (IDA)	9 August 1960
International Fund for Agricultural Development (IFAD)	13 December 1978
International Labour Organization (ILO)	9 August 1960
International Maritime Organization (IMO)	9 August 1960
International Telecommunication Union (ITU)	9 August 1960
International Center for the Settlement of Investment Disputes (ICSID)	
International Finance Corporation (IFC)	9 August 1960
International Monetary Fund (IMF)	9 August 1960
Multilateral Investment Guarantee Agency (MIGA)	
United Nations (UN)	14 December 1955
United Nations Educational, Scientific and Cultural Organization (UNESCO)	9 August 1960
United Nations Population Fund (UNFPA)	
United Nations Industrial Development Organization (UNIDO)	21 June 1985
United Nations Development Program (UNDP)	
United Nations International Drug Control Program (UNDCP)	
Universal Postal Union (UPU)	9 August 1960
Office of the United Nations High Commissioner for Refugees (UNHCR)	
United Nations Capital Development Fund (UNCDF)	
United Nations Environment Program (UNEP)	
United Nations Center for Human Settlements (UNCHS)	
United Nations Development Fund for Women (UNIFEM)	

List of Lao PDR's Membership of International Organizations	
Organizations	Date of Membership
World Health Organization (WHO)	9 August 1960
World Intellectual Property Organization (WIPO)	19 January 1950
World Meteorological Organization (WMO)	
World Food Program (WFP)	
World Bank (IBRD)	9 August 1960

## ANNEX 1

### STATISTICS AND PUBLICATIONS

1. Foreign trade statistics for goods and services: responsible agencies

Foreign trade statistics are provided by the Customs Department of the Ministry of Finance and the Ministry of Commerce and Tourism. Line agencies with responsibilities in services sectors produce statistics for those sectors, for example, the Ministry of Construction, Transport, Communication and Post for transport and communication and the Bank of the Lao PDR and the Ministry of Finance for the finance industry.

2. Publications related to statistics

The National Statistics Centre of the State Planning Committee annually publishes the “Basic Statistics about the Socio-Economic Development of the Lao PDR”

The Bank of the Lao PDR publishes “Annual Report of the Bank of the Lao PDR on fiscal, monetary and economic policy”.

3. Statistical Data

(a) main economic indicators

The following tables are provided:

- Table II.1 Lao PDR - Share of Gross Domestic Product by sector
- Table II.2 Lao PDR - GDP by Industrial Origin 1994-98
- Table II.3 Lao PDR - Real Growth GDP, 1995 - 98
- Table II.4 Lao PDR - Selected Economic and financial indicators
- Table II.5 Lao PDR - Privatization of State-owned enterprises
- Table II.6 Lao PDR – Strategic Enterprises to remain state owned as of 1998
- Table II.7 Lao PDR - General Government Revenue 1995/96 - 1997/98
- Table II.8 Lao PDR - General Government Expenditure 1996/97 - 1997/98
- Table Annex 1.1 Lao PDR - Balance of Payments 1994 - 1998
- Table Annex 1.2 Lao PDR - International Reserves 1993- 98
- Table Annex 1.3 Lao PDR - Exchange rates 1996- 98
- Table Annex 1.4 Lao PDR - Consumer price index 1993 - 1998

(b) foreign trade statistics

The following tables are provided:

- Table II.9 Lao PDR Composition of Exports 1994 - 98
- Table II.10 Lao PDR Composition of Imports 1994 - 98
- Table II.11 Lao PDR Direction of Trade, Exports 1993 - 97
- Table II.12 Lao PDR Direction of Trade, Imports 1993 - 97
- Table II.13 Lao PDR Composition of Non-factor Services 1994 - 98

(c) Lao PDR tariffs

Table Annex 1.5 Structure of Lao PDR MFN tariffs.

(d) government procurement statistics

Table Annex 1.6 Lao PDR General Government Operations 1994/95 - 1998/99.

(e) foreign investment statistics

Table Annex 1.7 Lao PDR Foreign Investment by Sector 1988 - 1999

Table Annex 1.8 Lao PDR Foreign Investment by source

	1994	1995	1996	1997	1998 est.
Agriculture	56.35	54.29	52.19	52.02	52.08
Industry	17.76	18.77	20.60	20.82	21.73
Services	23.76	24.45	24.81	24.95	25.15
Import duties	2.13	2.49	2.40	2.01	1.05
Total	100.00	100.00	100.00	100.00	100.00

(Source: Bank of Lao PDR)

	1994	1995	1996	1997	1998 est
Agriculture	439.2	453.7	466.2	498.7	517.1
Crops	221.6	216.0	222.3	253.4	269.6
Livestock and fishery	172.6	179.0	183.9	188.3	193
Forestry	45.8	59.0	59.8	56.9	54.4
Industry	138.6	156.8	183.9	198.8	215.7
Mining and quarrying	1.7	1.7	2.7	3.6	4.1
Manufacturing	98.8	116.2	137.2	150.0	164.5
Construction	25.9	27.7	31.1	32.6	26.7
Electricity, gas, water	12.3	11.2	12.8	12.6	20.5
Services	185.4	204.3	221.6	238.3	249.7
Transportation, storage and communication	36.9	43.6	48.0	52.9	56.8
Wholesale and retail trade	63.2	69.0	76.7	85.0	102.3
Banking, insurance and real estate	8.5	12.0	11.7	12.7	1.6
Ownership of dwellings	27.5	28.4	30.1	30.9	28.1
Public wage bill	28.9	27.6	27.7	28.0	29.3
Nonprofit institutions	10.1	9.9	10.6	10.5	12.4
Hotels and restaurants	9.2	12.4	15.0	16.5	17.6
Other	1.1	1.3	1.4	1.5	1.5
GDP at factor cost (source: IMF)	764.0	814.9	869.6	935.8	982.5
Import duties	16.7	20.8	21.4	19.1	10.4
GDP at market prices	780.7	835.7	893.2	955.0	992.9
Nominal GDP at market prices	1,108	1,419	1,726	2,200	4,2600

(Source: Bank of Lao PDR)

	1994	1995	1996	1997	1998
Agriculture	8.3	3.1	2.8	7.0	3.7
Crops	12.7	-2.5	2.9	14.0	6.4
Livestock and fishery	4.3	3.7	2.8	2.4	2.5
Forestry	4.0	28.2	2.0	-4.9	-4.4
Industry	10.7	13.1	17.3	8.1	8.5
Mining and quarrying	30.4	-3.7	61.2	28.6	13.8
Manufacturing	7.0	17.7	18.1	9.3	9.6
Construction	17.2	5.6	13.6	5.0	-18.2
Electricity, gas, water	29.0	-8.8	15.0	-1.9	62.7
Services	5.5	10.2	8.5	7.5	4.8
Transportation, storage and communication	4.3	18.2	10.1	10.3	7.4
Wholesale and retail trade	7.9	9.3	11.2	10.8	20.2
Banking, insurance and real estate	8.2	42.0	-2.7	9.0	-87.0
Ownership of dwellings	8.6	3.4	6.2	2.5	-9.1
Public wage bill	-6.6	-4.5	4.0	1.1	4.5
Non-profit institutions	-3.8	2.4	7.9	-1.2	18.1
Hotels and restaurants	53.6	35.0	14.5	9.6	6.2
Other	3.0	15.4	16.4	3.2	-1.3
GDP at factor cost	8.0	7.0	6.7	7.6	5.0
Import duties	13.2	25.0	8.6	-10.5	-45.7
GDP at market prices	8.1	7.0	6.8	6.9	4.0

(Source: Bank of Lao PDR)

	1994	1995	1996	1997	1998 (est.)
Growth (percentage change in GDP)	8.0	7.0	6.0	7.2	4.0
Prices (per cent change)					
Consumer prices (end-year to end-year)	6.8	25.7	7.0	26.6	142.0
Government budget (percentage of GDP)					
Revenue	12.3	12.2	13.0	11.3	11.2
Expenditure	23.8	21.9	22.1	21.3	26.9
Current account balance (excluding grants)	0.4	1.4	2.8	1.8	3.0
Overall balance					
Excluding grants	-11.5	-9.7	-9.1	-10.1	-15.8
Including grants	-5.2	-4.2	-5.6	-6.6	-10.0
Domestic financing	0.5	-0.4	-1.1	0.9	3.3
Foreign financing	4.7	4.6	6.7	5.6	6.7
Money and credit (per cent change, end of period)					
Broad money	31.9	16.4	26.7	64.9	113.3
Credit to the private sector	50.0	30.4	20.8	67.3	76.3
Interest rates (per cent change, end of period)					
On one year deposits	12	16-19	16-19	17.5	19-25
On short term loans	24	22-28	24-27	20-27	30-36
External trade (percentage change)					
Exports (value in US\$)	24.9	4.3	2.6	-1.4	6.3
Imports (value in US\$)	30.6	4.4	17.1	-6.0	-14.7
Balance of payments (percentage of GDP)					
External current account balance					
Including official transfers	-6.3	-6.9	-12.2	-10.6	-4.7
Excluding official transfers	-14.4	-13.0	-16.6	-16.2	-10.6
Overall balance (in US\$ millions)	-11	15	69	-31	-17.8
Gross foreign reserves (in US\$ millions)					
Gross official reserves (GOR)	61	93	167	136	114
GOR in months of total imports, CIF	1.3	1.9	2.9	2.5	2.5
External debt (in per cent)					
Ratio of debt to GDP	38.2	37.7	43.5	55.0	87.6
Debt services ratio	3.3	5.7	5.3	8.9	8.4
Exchange rate (Kip per US dollar ,end of period)					
Official	719	925	954	2,152	4,274
Parallel market	730	940	975	2,205	4,750

(Source: Bank of Lao PDR)

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total privatized	2	3	13	22	14	11	11	16	13	To be completed
Mode										
- Lease	2	3	12	19	8	5		6		Ibid
- Hire purchase			1	3					2	Ibid
- Sale					6	6	11	10	9	Ibid
- Transfer to Province									2	Ibid
Scheduled for disposal										32

(Source: IMF 1998 Staff Country Report)

Enterprise	Asset value (Kip millions)	Number of employees
Prime Minister's Office		
Lao National Tourism	350	29
Ministry of Industry and Handicraft		
Electricite Du Lao (DDL)	139,548	2688
Ministry of Commerce		
Lao Trade Import-Export Company	1,320	96
Magazin D'Etat Pour les Missions Etrangeres	1,413	40
Technical-Materials Supply Company	657	9
Vehicle and Spare Parts Supply Company	1,229	40
Lao (State) Fuel Company	4,914	254
Ministry of Communication, Transport, Post & Construction		
Lao Water Supply Company	2,500	375
Lao Post Office Company	7,560	1,167
Ministry of Education		
Editing and Printing Enterprise	506	80
Educational Material Products Factory	114	6
Ministry of Culture and Information		
The Lao State Printing Enterprise	492	129
Ministry of Public Health		
Pharmaceutical Factories No 2 and 3	4,258	339
Ministry of Labour and Social Welfare		
Employment Service Company	155	20
The Central Youth Federation		
Youth Printing Factory	256	24
Ministry of Finance		
Lao National Lottery	2,459	36
Mountains Development Company (Phoudoi)	17,093	3,200
Development of Agro-Forestry Industry (DAFI)	19,865	872
Agro-Forestry and Service Company (Northern Wood Company)	17,179	784
Bank of the Lao PDR**		
Sethathirath Bank	3,920	99
Nakhoneluan Bank	995	74
Bank for Foreign Trade (BCEL)	4,496	141
Lane Xang Bank	2,338	208



Enterprise	Asset value (Kip millions)	Number of employees
Agricultural Promotion Bank	1,000	381
Lao Mai Bank	2,394	129
Pak Tai Bank	3,224	189
Aloun Mai Bank	663	53
Vientiane Municipality		
Bus Transport Service Commission	3,276	171
Vientiane Municipality's Printing Works	310	51
Luang Prabang Province		
Irrigation Company	378	49
Luang Prabang Tourist Company	133	28
Savannakhet Province		
Savan Wood Company	61	134

(Source: IMF 1998 Staff Country Report)

\*\*Note: In 1999, six of the state-owned commercial banks were consolidated into two banks.

	1995/96	1996/97	1997/98	1998/99 Budget
Tax revenue	176.0	189.6	290.3	552.7
Profit tax	20.7	23.4	33.6	64.0
Income tax	13.5	11.5	19.7	32.0
Agricultural land tax	2.1	2.5	3.1	4.5
Business licenses	0.1	0.2	0.3	0.8
Turnover tax	33.9	40.0	62.5	131.8
Tax on foreign trade	46.7	53.3	58.3	124.0
Import duties	40.6	47.0	50.8	100.0
Export duties	6.0	6.3	7.5	24.0
Excise tax	15.5	17.9	49.4	109.6
Timber royalties	34.6	31.7	36.9	35.0
Hydro royalties	0.0	0.0	4.2	9.0
Other	8.8	9.1	22.3	42.1
Non-tax revenue	41.4	38.7	76.7	116.5
Depreciation/dividend transfers	5.2	9.4	7.1	9.1
Other	36.2	29.3	69.6	107.4
Total Revenue	217.3	228.3	367.0	669.2

(Source: Bank of Lao PDR/Ministry of Finance)

	1996/97	1997/98
Ministries	430.2	541.5
Public Health	8.8	17.3
Social Welfare	19.4	14.9
Education	31.0	37.4
Information and culture	7.6	6.2
Agriculture and forestry	10.7	17.5
Industry (includes Mining and Power)	43.6	45.2
Communication, transport and post	66.9	108.5
Commerce	0.2	0.4
Interior	15.3	17.3
Defense	49.2	53.5
Justice	0.4	0.5
Finance	1.4	1.9
Administration	24.5	17.9
Foreign Affairs	4.9	7.7
Committee for Planning and Coordination	0.3	0.4
Provinces	120.6	155.1

(Source: IMF 1998 Staff Country Report)

	1994	1995	1996	1997	1998
Current account	-97	-124	-226	-185	-60
(excluding official transfers)	-221	-223	-307	-282	-128.5
Merchandise trade balance	-264	-276	-307	-331	-216
Exports f.o.b.	300	313	321	317	337
(per cent change)		4.3	2.6	-1.4	6.3
Imports c.i.f.	564	589	690	648	553
(per cent change)		4.4	17.1	-6.0	-14.7
Services (net)	35	27	25	28	71
Factor income (net)	-2	-6	-7	-21	-37
Of which Interest payments	5	6	6	-19	-26
Transfers (net)	134	131	125	140	123
Private	10	22	43	43	49
Official	125	109	82	97	74
Of which technical assistance	21	14	14	19	17
Capital account	83.7	138	297.5	131.3	62.3
Long-term loans	65	83	139	161	131
Disbursements	73	98	155	179	150
Amortization	-8	-15	-16	-18	-19
Foreign investment incl. ext. loans	60	95	176	89	46
Other private flows, errors and omissions	-40	-39	-20	-110	-145
Commercial banks (net)	8	10	-7	14	-18
Errors and omissions	-48	-49	-13	-125	-126
Overall Balance	-13	15	72.7	-53.1	7.4
Financing	12	-15	-72.7	53.1	-7.4
Central bank net foreign assets	12	-16	-69	30	18
Assets (increase - )	2	-31	-74	31	21
Liabilities (reduction -)	10	16	5	-1	-3

<b>Table Annex 1.1</b>					
Lao PDR Balance of Payments 1994 - 1998 ( US\$ millions)					
	1994	1995	1996	1997	1998
Current account as % of GDP	-6.3	-6.9	-12.2	-10.6	-4.5
(excluding official assistance)	-14.4	-13.0	-16.6	-16.3	-10.5

(Source: Bank of Lao PDR and IMF)

<b>Table Annex 1.2</b>						
Lao PDR International Reserves 1993 - 98 (US\$ millions)						
	1993	1994	1995	1996	1997	1998 (est.)
Central Bank						
Foreign Assets	63.3	61.1	92.5	166.7	135.5	114.3
Foreign Liabilities	36.3	46.6	62.2	67.0	66.4	62.9
Net foreign assets	27.0	14.5*	30.3	99.7	69.2	51.4
Commercial Banks						
Foreign Assets	87.7	97.1	98.6	112.4	84.8	107.8
Foreign Liabilities	12.9	29.9	41.7	49.2	35.7	40.4
Net foreign assets	74.8	67.1	56.9	63.6	49.1	67.4
Total						
Foreign Assets	151.0	158.2	191.1	279.5	220.4	222.1
Foreign Liabilities	49.2	76.5	103.9	116.2	102.1	103.3
Net foreign assets	101.8	81.7	87.2	163.3	118.2	118.8

(Source: Bank of Lao PDR)

<b>Table Annex 1.3</b>						
Lao PDR Official and Parallel Exchange Rates 1996 - 1998						
Exchange rates	Dec 96	Dec 97	Mar 98	Jun 98	Sep 98	Dec 98
Parallel-market monthly average						
Buy (Kip/dollar)	978.16	2060.00	2427.00	3678.00	4483.00	4534.00
Sell (Kip/dollar)	983.16	2105.00	2522.00	3810.00	4622.00	4638.00
Official exchange rate monthly average						
Buy (Kip/dollar)	935.00	2015.00	2407.00	3401.00	3916.00	4182.00
Sell (Kip/dollar)	943.00	2023.00	2421.00	3420.00	3945.00	4252.00
Parallel-market gold monthly average						
Buy (Kip/dollar)	174.00	202.10	340.00	480.00	500.00	570.00
Sell (Kip/dollar)	185.00	261.31	380.00	500.00	565.00	650.00

(Source: Bank of Lao PDR)

	1993	1994	1995	1996	1997	1998
January	6.43	7.45	7.70	26.98	11.4	31.3
February	6.42	7.34	8.51	29.09	12.0	44.6
March	6.07	9.34	10.54	24.97	12.4	45.5
April	7.58	7.98	14.75	19.71	12.3	62.4
May	5.16	7.29	21.12	13.76	16.2	62.7
June	5.19	6.95	18.99	13.25	15.9	101.5
July	4.35	5.11	19.56	11.42	19.6	103.8
August	5.19	5.01	24.67	4.56	25.7	99.5
September	6.54	5.88	27.05	2.95	27.7	106.5
October	6.68	5.29	26.98	5.65	26.9	112.5
November	7.03	7.07	26.86	6.99	25.1	136.3
December	8.94	6.78	25.66	7.28	26.6	141.9
Average	6.30	6.79	19.37	13.88	19.30	87.40

(Source: Bank of Lao PDR)

21 April 2000	1994	1995	1996	1997	1998
Customs Data	147.5	166.6	195.3	142.3	181.9
Wood products	96.1	88.3	124.6	89.7	115.4
Logs	41.8	28.7	34.3	16.7	10.5
Timber	48.5	51.5	78.7	67.4	87.4
Others (including semi-finished and finished products)	5.8	8.1	11.6	5.6	17.5
Coffee	3.1	21.3	25.0	19.2	48.0
Volume (mil. pounds)	4.3	9.2	9.6		
Price (US\$ per pound)	0.7	2.3	2.6		
Agriculture/forest products	12.1	13.7	17.8	18.1	8.4
Other products (excludes garments and wood products)	36.3	43.3	27.9	15.3	10.1
Garments	58.2	76.7	64.1	90.5	70.2
Motorcycles	46.2	17.7	12.5	17.1	17.8
Car re-exports	4.5	0.0	0.0	0.0	0.0
Electricity	24.8	24.2	29.7	20.8	66.5
Gold re-exports	18.8	21.9	15.2	41.5	0.0
Fuel purchased by foreign carriers	0.4	0.4	0.4	0.5	0.4
Adjustment for Russian dept.		5.7	4.2	4.2	4.0
<b>TOTAL EXPORTS</b>	<b>300.4</b>	<b>313.2</b>	<b>321.4</b>	<b>316.8</b>	<b>340.8</b>
<b>MEMORANDUM ITEM</b>					
Total Exports/GDP (percentage)	19.5	17.5	17.4	18.2	27.7
Growth rate exports (percentage)	24.9	4.3	2.6	-1.4	7.6
Growth rate of exports excluding re-exports (percentage)	25.0	5.1	5.1	-10.1	23.8

(Source: Bank of Lao PDR and Customs Department)

21 April 2000	1994	1995	1996	1997	1998
Customs data (cif)	422.6	473.1	585.0	494.5	460.8
Investment Goods	146.1	189.3	277.0	226.8	226.7
Machinery and equipment	32.0	43.8	71.3	52.0	44.4
Vehicles (50% of total)	25.0	36.0	71.7	53.8	39.4
Fuel (50% of total)	21.4	30.8	32.8	38.2	61.8
Construction/electrical equipment	67.7	78.8	101.2	82.8	81.1
Consumption goods	276.5	283.8	308.0	267.7	234.1
Materials for garment industry	51.3	66.3	70.0	73.7	66.8
Motorcycle parts for assembly	34.6	13.3	12.0	24.9	17.0
Cars for re-export	4.5	0.0	0.0	0.0	0.0
Gold and silver (includes gold for re-export)	46.8	29.5	18.8	50.4	0.7
Electricity	2.4	3.1	2.6	3.2	5.8
Fuel purchased abroad by Lao carriers	2.0	3.5	1.2	1.3	1.7
Total recorded imports (cif)	564.1	588.8	689.6	647.9	552.8
Unrecorded imports	0.0	0.0	0.0	0.0	0.0
TOTAL IMPORTS (cif)	564.1	588.8	689.6	647.9	552.8
Imports fob (less 8%)	519.0	541.7	634.4	596.1	508.6
MEMORANDUM ITEMS					
Total import/GDP (%)	36.6%	32.9%	37.3%	37.3%	45.0%
Growth rate total imports (per cent)	30.6%	4.4%	17.1%	-6.0%	-14.7%
Growth rate imports, excl. re-exports	30.9%	4.8%	19.0%	-10.1%	-8.8%
Investment goods imports					
from aid and grants	65.9	48.4	37.3	44.8	32.0
from project loans	36.6	58.1	92.3	119.0	104.7
from hydropower investment	15.5	40.9	89.6	52.5	22.4
from other sources	28.1	42.0	57.8	49.0	52.6
of which: other FDI related	25.9	21.0	7.6	18.5	19.0

(Source: Bank of Lao PDR and Customs Department)

	1993	1994	1995	1996	1997
Thailand	74.8	77.2	83.3	96.7	70.1
Vietnam	23.1	81.2	87.7	157.6	135.2
France	12.6	10.3	11.1	8.2	20.0
United Kingdom	0.0	0.9	0.9	6.6	14.9
United States	10.7	5.0	5.3	2.7	7.0
Russia	7.4	1.0	1.1	0.5	0.0
China	25.5	8.1	8.8	0.8	0.3
Germany	9.0	11.8	12.7	4.8	16.2
Taiwan	10.1	4.6	5.0	1.3	0.5
Japan	8.8	4.9	5.3	1.7	6.7
Finland	2.0	1.6	1.7	0.8	1.5
Netherlands	3.6	5.0	5.4	0.0	0.1

	1993	1994	1995	1996	1997
Italy	1.9	0.7	0.8	1.0	4.7
Korea	1.9	0.0	0.0	0.5	0.7
Belgium	0.4	1.2	1.3	2.0	17.9
Norway	0.1	0.6	0.7	1.8	3.2
Singapore	0.2	0.1	0.1	0.8	0.3
Other	48.4	86.2	81.6	32.9	17.9
<b>Total</b>	<b>240.5</b>	<b>300.4</b>	<b>312.8</b>	<b>320.7</b>	<b>316.9</b>

(Source: Lao PDR Ministry of Commerce and Tourism, published by IMF)

	1993	1994	1995	1996	1997
Thailand	164.8	270.3	287.8	310.0	336.6
Japan	56.1	45.8	48.8	52.5	10.4
Vietnam	19.7	22.5	23.9	25.8	25.1
Singapore	19.2	14.7	15.7	16.9	0.6
China	18.1	20.2	21.5	23.2	4.9
France	6.6	5.9	6.2	6.7	1.7
Taiwan	4.8	4.6	4.9	5.3	4.3
United States	4.4	1.4	1.5	1.6	0.6
Hong Kong	4.3	7.0	7.5	8.1	9.5
Russia	2.7	2.6	2.8	3.0	0.0
Cambodia	3.0	2.6	2.8	3.0	0.0
Korea	2.3	2.2	2.3	2.5	3.3
Australia	3.4	0.4	0.4	0.5	0.3
Denmark	0.5	0.5	0.6	0.6	0.0
Macao	0.4	0.4	0.4	0.5	1.3
Pakistan	0.8	0.7	0.8	0.8	0.0
Other	120.8	162.3	160.9	228.6	249.5
<b>Total</b>	<b>431.9</b>	<b>564.1</b>	<b>588.8</b>	<b>689.6</b>	<b>647.9</b>

(Source Ministry of Commerce and Tourism, published by IMF)

	1994	1995	1996	1997	1998
Non factor services (net)	35.0	27.1	25.0	27.5	70.6
Receipts	85.7	96.5	104.3	100.4	129.7
Transportation	11.4	15.1	16.0	17.7	18.8
Overflight	8.4	10.3	9.9	10.5	11.8
Freight to Lao carriers	0.1	2.7	3.3	3.7	2.9
International fares to Lao carriers	1.9	1.2	1.4	2.5	2.2
Lao port charges	1.0	0.9	1.5	1.0	1.9
Lao road charges	0.0	0.0	0.0	0.0	0.0
Travel	42.7	51.4	62.3	54.0	80.0
Communications	0.0	0.4	0.4	0.6	0.7
Insurance	0.4	0.4	0.4	0.5	0.8
Embassies and International organizations	31.2	29.2	25.2	27.6	29.4
Payments	50.7	69.4	79.3	72.9	59.1
Transportation	7.9	4.0	7.1	6.3	5.4
International fares to foreign carriers	4.3	3.3	6.3	5.4	4.6
Foreign port charges	3.6	0.4	0.8	0.9	0.8
Overflight	0.0	0.3	0.0	0.0	0.0
Travel	18.0	29.6	22.2	21.0	17.2
Communications	0.8	0.4	0.6	0.7	0.8
Construction	10.8	24.0	36.1	35.4	26.1
Hydropower	2.9	7.4	16.9	12.0	3.6
Other projects	7.9	16.6	19.2	23.5	22.5
Technical Assistance (50% of inflow)	10.5	8.4	9.9	5.9	6.3
Lao embassies abroad (non-salary)	2.7	3.0	3.4	3.6	3.3

(Source: Bank of Lao PDR)

**Lao PDR Tariff**

<b>Table Annex 1.5</b>									
<b>Structure of Lao PDR MFN tariff</b>									
HS chapter group	Product for group	No. of tariff lines	Tariff lines at 5 %	Leading groups	Tariffs above 5%		Notable higher tariffs		
			No of lines		Median tariff		HS line	tariff	
01	Live animals	15	3	Live cattle, pigs, poultry	12	10 (12 lines)	01	Live animals	10
02-04	Animal and fish products	82	11	Meat of cattle, swine, poultry, fish, dairy produce, eggs	71	30 (42 lines)	02.02 02.04 03 04.01 04.06 04.03	Beef Sheep meat Fish products Milk Cheese Yogurt	30 30 10 5 10 20
05	Products of animals	17	1	Human hair, skins, semen	16	10 (16 lines)	05.11	Bovine semen	5
06-07	Plants and edible vegetables	55	7	Fresh and processed vegetables	48	40 (55 lines)	07	Vegetables	40
08-09	Edible fruits, coffee, spices	63	5	Fresh and processed fruits	58	30 (31 lines)	08 09.01 09.02	Fresh fruit Coffee Tea	30 40 40
10-11	Cereal and products of milling	44	44	Wheat, rice, grains and flour		5 (44 lines)			
12-14	Oil seeds, industrial or medicinal plants	54	20	Soya bean, other oilseeds, nuts	34	20 (24 lines)	12.00 12.09	Oilseeds Seeds for sowing	20 5
15	Animal and vegetable fats	31	7	Lard, olive oil and other vegetable oils, margarine	24	10 (22 lines)	15.13 15.15 15.17	Copra oil Other vegetable oils Margarine	30 10 10
16	Preparations of meat, fish. Including sausages	16	Nil	Sausages, canned meats	16	30 (15 lines)	16.01	Sausages	30
17	Sugar and sugar confectionery	16	Nil	Raw sugar, molasses, confectionery	16	30 (15 lines)	17.01 17.04	Raw sugar Sugar confectionery	10 30
18-21	Cocoa and cocoa products, preparations of cereal	79	3	Coca bean, butter fat, bread, pastry, biscuits, processed coffee	76	30 (44 lines)	18 21	Cocoa Processed coffee	10 20
22	Beverages and spirits	21	Nil	Mineral water, wine, spirits, beer	21	30 (12 lines)	22.01 22.03 22.04	Mineral Water Beer Wine	40 40 30
23	Residues and waste from food industry	24	24	Waste food products	Nil				
24	Tobacco and tobacco products	9	2	Manufactured tobacco, cigarettes	7	40 (6 lines)	24.01 24.02	Raw tobacco Cigarettes	5 40
25 – 27	Mineral products	114	107		7	10 (2 lines)	2523 2710 2710	alumnus cement gasoline 2710 oils/greases	10 20/15 10
28 – 38	Chemicals	338	241	Most basic chemicals	97	10 (19lines)	30 32 33 33 33 34 34 34 35 35 36 36 36 36 37 38 38	medicaments paints cosmetics perfumes deodorants soap organic agents polishes adhesives matches propellant and explosives fireworks, flares photo supplies ind chemicals foundry binders	10 20 20 30 10 30/20 40 10 10 20 10 20 20 10 10 10 10
39 – 40	Plastics	128	55	36 products, bicycle tubes 39 range of polymers 40 rubber	73	10 (58lines)	39 39 39 39	polymer pipes/tubes plastic boxes plastic bags tableware	20 40 40 20
41 – 43	Hides, leathers, furs	74	3	41 patent leather 41 waste leather	74	20 (21 lines)	42 42	saddlery leather products	30 10



Table Annex 1.5 Structure of Lao PDR MFN tariff									
HS chapter group	Product for group	No. of tariff lines	Tariff lines at 5 %	Leading groups	Tariffs above 5%		Notable higher tariffs		
			No of lines		Median tariff	No of lines	HS line	tariff	
44 – 46	Wood and wood products	106	3	45 cork	103	20 (23 lines)	44 44.07 44.08 44.09 44.17-19 44 44 44 44 44.03 45	fuel sawn wood veneer parquetry wood boxes, windows, assembled parquet particle board fiberboard plywood tableware rough wood (general exclusion item) cork products	10 20 40 40 30 40 20 40 20 20 10
							(Summary: 40-13 lines, 30-16 lines, 10-4 lines)		
47 – 49	Pulp and paper	130	95	Pulp and paper Products	35	10 (26 lines)	48 48 48 48 48 48 48 48 49	cigarette paper wall paper floor coverings envelopes toilet paper personal paper products boxes labels paper products postcards	20/10 10 10 10 20 15 10 10 10 10
50-63	Textiles and clothing	407	211	raw silk cotton, carded silk and cotton yarn unprocessed wool wool yarn animal fur yarn metallic yarn	287	10 (279 lines)	50 52 56	silkworm cocoons raw cotton textile wadding	20 20 20
64 – 67	Footwear /headwear	47	4		43	10 (25 lines)	65 66 67 67	headwear umbrellas/walking sticks artificial flowers wigs	20 20 20 20
68 – 70	Stones/ ceramics/ glass	115	96	Stone, concrete, asbestos and glass bricks and products Asphalt fiberglass	21	10 (19lines)	68 68 69 69	asbestos fiber mica, stone substances silicone products building bricks	10 10 10 20
71	Precious Metals	35	35						
72 – 83	Iron and non-alloy steel	297	218	Basic lead, zinc and tin products. Basic non-ferrous metals Manufactured metal products.	79	10 (64 lines)	78 79 80 81 82 83 83	lead pipes zinc building products all tin materials and products rarer metals cutlery office equipment 83 made up metal article (including electric wire)	10 20 20 10 10 20 10
84	Mechanical products (including engines)	403	352	Machinery, machine tools Agricultural machinery. Food processing machinery except dairy and sugar machinery. Machinery for printing Machinery for household sewing or textile manufacture. Office or ADP equipment. Mining equipment. Generally machinery usable as well for consumer purposes, e.g. air conditioners.	51	10 (48 lines)	84.07 84.14/15 84.18 84.22	84.07 engines (internal combustion) marine propulsion >50cc for motor vehicles 50 – 250 cc 250 – 1000 cc <1000cc parts for fans and air conditioners refrigerators dishwashers	10 30 40 40 40 20 20 10 10

Table Annex 1.5 Structure of Lao PDR MFN tariff									
HS chapter group	Product for group	No. of tariff lines	Tariff lines at 5 %	Leading groups	Tariffs above 5%		Notable higher tariffs		
			No of lines		Median tariff		HS line	tariff	
							(Summary of levels: 40 - 3 lines; 30 - 1 line; 20 - 7 lines)		
85	Electrical Equipment	200	130	Electric motors, generators, transformers, Batteries, domestic tools, spark plugs, signaling equipment for motorcycles, radio transmission equipment, electrical capacitors or switching equipment, diodes, cathodes or insulators.	70	10 (47 lines)	85.07 85.09/16 85.10 85.13 85.16	batteries domestic appliances shavers portable lamps water heaters telephonic and audio equipment Consumer electronic audio and video equipment and receivers.	10 10 10 10 10 10 20
86	Transport Equipment – rail	18	18	Railway equipment					
87	Transport equipment –road	77	10	crane lorries, agricultural trailers	67	10 (36 lines)		Motor cars Transport vehicles - 5 – 20 tonnes < 20 tonnes Chassis, cabs for motor vehicles Motorcycles > 50cc <250 cc Bicycles, car spare parts, tractors	40 30 20 40 30 40 10
							(Summary of levels: 40-16 lines; 30 - 3 lines; 20 - 12 lines)		
88 – 89	Transport equipment – air and water.	16			16	10 (16 lines)		Air and water vessels Gliders, hang gliders, aircraft and aircraft arrestor and training gear	10 10
90 – 92	Scientific instruments	228	110	Medical and scientific equipment Automatic photographic processing equipment drawing or measuring instruments.	118	10			
93	Arms	1			1	30			
94-96	Misc. manufacturing	123	41	Lamps, Sporting equipment Ballpoint pens artworks	82	10 (61 lines)			
97	Art/antique	5	5						

(Source: Lao PDR Schedules prepared for accession to the ASEAN CEPT Agreement)

Government procurement

Table Annex 1.6 Lao PDR General Government Operations 1994/95 - 1998/99 (billions of Kip)						
	94/95	95/96	96/97	97/98	98/99 Budget	98/99 Projected
Current expenditure	289.8	360.7	430.2	886.1	1094.4	1685.1
Materials and supplies	42.7	52.0	56.9	62.9	132.3	148.3

(Source: IMF)

Foreign investment statistics

<b>Table Annex 1.7</b>		
Lao PDR Foreign Investment by Sector 1988-1999 (US\$ millions)		
Sector	Total projects	Value
Agribusiness	82	130.4
Textiles and garments	78	73.0
Industry and Handicraft	134	473.7
Wood industry	37	167.6
Mining, oil	33	139.5
Trading	112	67.6
Hotel, tourism	34	600.6
Banking, insurance	12	83.8
Consultancy	33	7.1
Services	146	65.8
Construction	39	64.8
Telecom, transport	16	637.7
Electric power	7	4,500.8
<b>TOTAL</b>	<b>763</b>	<b>7,012.4</b>

(Source: Foreign Investment Management Committee)

<b>Table Annex 1.8</b>					
Lao PDR Foreign Investment by source (US\$ millions)					
Country/territory	No. of Projects	Value	Country/territory	No. of Projects	Value
Thailand	252	2,928.8	Germany	8	2.7
USA	44	1,490.3	Macao	1	2.5
South Korea	31	633.2	Canada	11	2.5
Malaysia	19	293.3	Finland	3	1.3
UK	18	69.2	Switzerland	3	1.1
Chinese Taipei	34	68.2	Sweden	7	0.9
China	68	63.0	Norway	3	0.9
Australia	44	41.8	New Zealand	3	0.9
France	86	37.4	Holland	4	0.8
Hong Kong	20	26.0	Denmark	6	0.5
Singapore	15	20.0	India	2	0.5
Russia	15	18.9	Austria	3	0.2
Japan	26	17.5	Ukraine	1	0.2
Vietnam So. Rep.	19	10.6	Bangladesh	2	0.2
Indonesia	1	5.0	Cambodia	1	0.1
North Korea	1	3.3	Myanmar	1	0.1
Italy	6	3.2			
Belgium	6	2.7			
<b>TOTAL</b>					<b>7,012.4</b>

(Source: Foreign Investment Management Committee)

**ANNEX 2**

**LIST OF LAWS AND LEGAL ACTS**

1. Laws and legal acts regulating the activity of the customs authorities; responsible agencies.
  - i. Law - Customs – No. 4/94/NA:  
Adopted on 18 July 1994 - Enacted on 13 August 1994  
(Department of Customs, Ministry of Finance)
2. Laws and legal acts relating to non-tariff regulation of imports, exports and trade in transit rules of origin: responsible agencies.
  - i. Regulations on the Authorization for the Operation of the Import-Export Business - No. 462/MOC  
Adopted on 8 December 1993  
(Ministry of Commerce)
  - ii. Notice of Amended to Notification No. 175/MOC, issued on 4 April 1994 – No. 870/MOC  
Prohibited Goods for Import or Export  
Adopted 19 September 1996  
(Ministry of Commerce)
  - iii. Notification on the Import of Motor Cycles Over 250cc – No. 1552/MCTPC  
Adopted 8 July 1996  
(The Ministry of Communications, Transport, Post and Construction)
  - iv. Law - Forestry – No. 01/96:  
Adopted on 11 October 1996, Enacted on 2 November 1996  
(Ministry of Agriculture and Forestry)
  - v. Resolution on the Adoption of the Forestry Law No. 04/96  
Adopted on 11 October 1996  
(Ministry of Agriculture and Forestry)
  - vi. Decree on the Promulgation of the Forestry Law No. 125/PDR  
Adopted on 2 November 1996  
(Ministry of Agriculture and Forestry)
  - vii. Notification on the Management of Forestry and the Timber Industry No. 11/PM  
Adopted on 23 August 1999  
(Ministry of Agriculture and Forestry)
  - viii. Decree on the Preservation of Cultural, Historical and Natural Heritage No. 03/PR  
Adopted on 20 June 1997  
(Ministry of Information and Culture)
  - ix. Regulations on the Control and Use of Plant Pesticides in the Lao PDR No. 894/MOAF  
Adopted on 21 November 1992  
(The Ministry of Agriculture and Forestry)

- x. Regulations on the Quarantine of Plants in the Lao PDR No.069/MOAF  
Adopted on 2 July 1993  
(Ministry of Agriculture and Forestry)
- xi. Regulations on the Management and Use of Plant Species and Seeds for Planting in the Lao PDR No. 719/MOAF  
Adopted on 3 December 1997  
(Ministry of Forestry and Agriculture)
- xii. Decree on the Quarantine of Plants in the Lao PDR No. 66/PM  
Adopted 23 March 1993  
(Ministry of Forestry and Agriculture)
- xiii. Decree on the Management of the Standards and Quality of Goods and Services No. 85/PM  
Adopted on 2 November 1995  
(Science Technology Environmental Agency)
- xiv. Decree on Livestock Management in Lao PDR No. 85/PMO  
Adopted on 31 May 1993  
(Department of Agriculture and Forestry)
- xv. Regulation on Livestock Management in Lao PDR No. 0004/MOAF  
Adopted on 2 January 1997  
(Department of Agriculture and Forestry)
- xvi. Instruction for the Regulation on Livestock Management in Lao PDR No. 0005/MOAF  
Adopted on 2 January 1997  
(Department of Agriculture and Forestry)
- xvii. Provisions on the Control of Export-Oriented and Imported Foodstuffs No. 035/FMC  
Adopted on 26 October 1991  
(Ministry of Health)
- xviii. Elaborated Recommendations Relating to the Regulations on Quality Control of Export-Oriented and Imported Foodstuffs No. 035/FMC  
Adopted on 9 September 1991  
(Ministry of Health)
- xix. Provisions on Quality Control of Domestically Produced Food Products No. 048FMC  
Adopted 26 September 1991  
(Ministry of Health)
- xx. Provisions for Quality Control No. 105/FMC  
Adopted 31 October 1991  
(Ministry of Health)

- xxi. List of Medicines Prohibited in the Lao PDR based on Decree of the Ministry of Public Health No. 740/MPH  
Adopted on 3 April 1994  
(Ministry of Health)
  - xxii. List of Chemical Products Under Restricted Control No. 1364/95/DFM  
adopted in September 1995  
(Ministry of Health)
  - xxiii. Implementation of Rules and Regulations on Government Procurement of Goods Construction Repairs and Services No. 01639/MOF  
Adopted on 22 December 1998  
(Ministry of Finance)
3. Laws and regulations relating to foreign investment: responsible agencies.
- i. Law on the Promotion and Management of Foreign Investment in the Lao PDR No. 1/94:  
Adopted on 14 March 1994  
(Science Technology Environmental Agency)
4. Other laws and legal acts dealing with economic issues that affect trade: responsible agencies.
- i. The Constitution of the Lao PDR  
Adopted on 15 August 1991  
(The Ministry of Justice)
  - ii. Business Law No. 03/NA:  
Adopted on 18 July 1994 - Enacted 17 August 1994  
(Ministry of Commerce and Tourism)
  - iii. Decree on the Implementation of the Business Law No. 31/PMO  
Adopted on 1 February 1996  
(Ministry of Commerce and Tourism)
  - iv. Notification on the Implementation of Enterprise Registration Based on the Business Law No. 750/MOC:  
Adopted on 6 August 1996  
(Ministry of Commerce)
  - v. Decree on Trademarks No. 06/PM  
Adopted on 18 January 1995  
(The Science, Technology and Environmental Agency, Prime Minister's Office)
  - vi. Law - Domestic Investment Promotion No 03/95/NA  
Adopted 14 October 1995  
(Science Technology Environmental Agency)
  - vii. Resolution Approving the Law on Domestic Investment Promotion No.3/NA  
Adopted 14 October 1995  
(Science Technology Environmental Agency)

- viii. Decree on Domestic Investment Promotion No. 27/PM  
Adopted 26 October 1995  
(Science Technology Environmental Agency)
5. (a) Existing, laws, regulations or administrative guidelines, which significantly affect trade in services.
- i. Law on the Bank of the Lao PDR No. 5/95/NA  
Adopted on 14 October 1995 - Enacted 26 October 1995  
(Ministry of Finance)
- ii. Decree on the Bank of Lao No. 95/PM  
Adopted on 22 June 1993  
(Ministry of Finance)
- iii. Regulation on Commercial Banks and Financial Institutions' Capital Adequacy Under Supervision by the Bank of the Lao PDR No. 02/BOL  
Adopted on 15 January 1996  
(Ministry of Finance)
- iv. Regulation on Protecting Soundness Practices of the Commercial Banks and Financial Institutions which are Under the Supervision of the Bank of the Lao PDR No. 04/BOL  
Adopted 15 January 1996  
(Ministry of Finance)
- v. Regulations on Foreign Currency Exposure No. 08BOL  
Adopted on 7 May 1996  
(Ministry of Finance)
- vi. Regulation on Conditions for Establishing Banks in the Lao PDR  
Adopted on 30 November 1995  
(Ministry of Finance)
- vii. Decree on Commercial Banks No. 01/NA  
Adopted on 11 March 1997  
(Ministry of Finance)
- viii. Insurance Law No. 11/90/PSA  
Adopted on 29 November 1990 - Enacted December 1990  
(Ministry of Finance)
- ix. Decree on the Management of Foreign Exchange and Precious Metals No. 53/PCM  
Adopted on 7 September 1990  
(Ministry of Finance)
- x. Regulations on the Establishment of Businesses of Transportation Shipping and Repair Services by the State; State Private Collectives and Private Individuals No. 1413/49/MCTPC  
Adopted on 22 June 1996  
(The Ministry of Communications, Transport, Post and Construction)

- xi. Law on Road Transportation No. 3/97/NA  
Adopted on 12 April 1997, Enforced 31 May 1997  
(The Ministry of Communications, Transport, Post and Construction)
  - xii. Decree on the Enforcement of the Law on Road Transportation No. 35/PDR  
Adopted on 31 May 1997  
(The Ministry of Communications, Transport, Post and Construction)
  - xiii. Decree on Private Education No. 64/PM  
Adopted on 14 August 1995  
(The Ministry of Education)
  - xiv. Regulations on the Management of Hotels and Guesthouses No. 159/OPM  
Adopted on 30 July 1997  
(The Ministry of Commerce and Tourism)
  - xv. Regulations on the Establishment and Management of Tourist Service Operators No. 1150/PM  
Adopted on 25 October 1993  
(Ministry of Commerce and Tourism)
- (b) Publications or sources of information, concerning measures of general application, of relevance to the GATS.

Information about measures relevant to the obligations of GATS is available at the agencies responsible for the sector or activity.

Information about general measures relating to investment are available from the Foreign Investment Management Committee at the Prime Minister's Office.

- (c) Enquiry points, if any, as foreseen in Article III of GATS.

The Enquiry point as foreseen in Article III of the GATS is the Department of Foreign Trade in the Ministry of Commerce and Tourism.



### ANNEX 3

## INFORMATION ON IMPORT LICENSING PROCEDURES

### I. OUTLINE OF THE SYSTEM

Businesses wishing to trade are required first to register as import/export companies. See details in Section IV.1 (a) on Policy Affecting Trade in Goods. For imports other than yarn and textiles used by the garment manufacturing industry and products listed on the ASEAN Free Trade Area CEPT Inclusion List of the Lao PDR, an import licence is required for each import. MOCT operates the system as an automatic licensing system. It is administered by the Ministry of Commerce and Tourism through its trade and tourism offices in the Municipality of Vientiane and the Provinces, subject to the prior approval of the imports by the relevant line Ministries where technical regulations apply.

Where quantitative restrictions apply (fuel and lubricants, steel bars for construction, all types of cement, motor vehicles and motor cycles) and controls exist for health and safety reasons, licenses are not issued automatically.

### II. PURPOSES AND COVERAGE OF LICENSING

1. Ministerial Decree No. 462/MOC of 8 December 1993 is the principal instrument under which import licensing administered by the Ministry of Commerce and Tourism is maintained. The licensing of chemical imports is authorized by Notification No. 1364/95 of September 1995 from the Ministry of Public Health. Licensing is not statutorily required. The Decree and the Notification do not leave product coverage to administrative discretion. The Government can abolish the system without legislative approval.

The licensing system is administered by the Ministry of Commerce and Tourism and covers all products. Licenses are granted automatically except for imports of fuels and lubricants, steel bars for construction, casino equipment and rifles and guns for sporting and hunting purpose, all types of cement and all types of motor vehicles. Imports of these products require the prior approval of the relevant line Ministry where technical regulations (health and safety and quarantine) apply.

2. With the exception of imports from ASEAN which are listed on the Lao PDR's Inclusion List for the AFTA CEPT scheme, import licensing applies to goods from all countries.

3. The purpose of non-automatic licensing is to monitor and control the quantity of imports:

- (a) In the cases of steel bars and cement, the purpose is to protect small, infant industries. Alternative methods of industry assistance are under consideration.
- (b) In the case of automobiles and motorcycles, the purpose is to control traffic congestion in the Lao PDR cities and towns. Alternative methods of management are under consideration.
- (c) In the case of foodstuffs, seeds and chemical fertilizers, the reason is to protect health and safety.
- (d) Controls on print and audio-visual material and casino equipment communication equipment, and rifles and guns are controlled to protect public morals and internal security.
- (e) Strict import controls on certain chemicals are to ensure they are not diverted to the production of illegal drugs e.g. amphetamines, and explosives.

### **III. PROCEDURES**

#### **1. For products under restriction as the quantity or value of imports, etc**

- (a) For motor vehicles and fuel which are under quantitative control from all sources information is not presently published, but it is proposed to rectify this in the near future. At present, prospective importers can inquire at the Department of Foreign Trade in the Ministry of Commerce and Tourism. The overall amount is not published. No amount is allocated to particular countries or importers.
- (b) Currently, the quantity of cars is determined on a case by case basis. However, the system is under review with the objective of replacing the quantitative restriction on cars with a fiscal measure. The quantity of fuel is determined quarterly. There are no cases where the quota is set on a yearly basis and the licenses issued either six-monthly or quarterly. It is proposed to introduce quarterly licenses for motor vehicles. In the case of imports of cement and steel bars for construction formal quotas are not set. When permits for imports are lodged, the Ministry of Commerce and Tourism consults with the Ministry of Industry and Handicraft who advise on whether the proposed level of import is reasonable.
- (c) Domestic producers of like goods are not excluded from licenses. Licenses issued by the Ministry of Commerce and Tourism lapse after 90 days. Licenses issued by the Ministry of Public Health are valid for 60 days. The remainder of this segment does not apply to the Lao PDR.
- (d) This is not relevant to the licensing system in the Lao PDR.
- (e) Processing of applications for licenses by Ministry of Commerce and Tourism takes between one and three days.
- (f) This question is not relevant to the licensing system in the Lao PDR.
- (g) Applications for the importation of goods subject to quantitative restrictions are firstly examined by the Department of Foreign Trade in the Ministry of Commerce and Tourism. If approved, a licence is issued by the Municipal and Provincial trade offices of the Ministry of Commerce and Tourism. In the case of applications for motor vehicles, the Ministry of Communication, Transport, Post and Construction must first certify compliance with technical specification requirements.
- (h) Licenses are issued on a 'first come, first served' basis. No maximum amounts are allocated. New importers apply for registration with the Department of Internal Trade, Ministry of Commerce and Tourism. Applications are examined on receipt.
- (i) This is not relevant to the licensing system in the Lao PDR.
- (j) This is not relevant to the licensing system in the Lao PDR.
- (k) In the case of machinery for internationally funded development projects, import licenses are issued until the completion of the project, subject to the goods being re-exported. Similarly, temporary entry is granted to private diplomatic motor vehicles, to motor vehicles used by foreign companies executing developmental projects and for trade promotion purposes, subject to the vehicles being re-exported when the reason for importation can no longer be justified.

#### **2. Where there is no quantitative limit on importation of a product**

- (a) There is no statutory period for how far in advance of importation an application for a licence must be made, but the administrative understanding is that the application must be in advance of importation. Yes, licenses can be issued at shorter notice. However, as licenses are valid for 90 days, the approval system allows adequate time for obtaining a licence before effecting the importation.
- (b) Yes, on a case by case basis, a licence can be issued immediately in an emergency.
- (c) No limitations as to the period of the year when an application for a licence.

- (d) and importation can be made.
- (e) See 1. (g) above.

**3. Applications for licenses which meet the ordinary criteria are not refused**

**IV. ELIGIBILITY OF IMPORTER TO APPLY FOR LICENCE**

To be eligible to apply for licenses a person or firm must be registered as an import company with Department of Internal Trade, Ministry of Commerce and Tourism. All persons or firms may apply to be registered as an importing company, subject to the criteria set out in Section IV.1.a.

**V. DOCUMENTATION AND OTHER REQUIREMENTS FOR APPLICATION FOR LICENCE**

1. The application form requests the name and address of the applicant, source of financing, method of payment, invoice number, a description of the goods, method of packing, country of origin, gross and net weight, quantity of the goods, the unit price, total value in Kip and foreign currency, port of entry, method of transport, final destination, countries of transit and the name of the person who is to receive the goods. A sample is at Attachment 3.1.
2. The following documents are required on actual importation: licensing form, detailed list of items attached to the application form, purchase order, invoice, certificate of origin and authorization or certificate from line Ministry or Government agency where this is required for importation of particular products.
3. A fee of Kip 5,000 is charged for the application form.
4. No deposit or advance payment is required.

**VI. CONDITIONS OF LICENSING**

1. In the case of the Ministry of Commerce and Tourism, a licence is valid for 90 days and for 60 days in the case of the Ministry of Public Health. This can be extended by completing a form stating the reasons for extension and attaching the documents mentioned in V.2 above.
2. No penalty applies to non-utilization.
3. Licenses are not transferable.
4. No other conditions apply to granting a licence for products whether or not subject to quantitative restrictions or not.

**VII. OTHER PROCEDURAL REQUIREMENTS**

1. No other administrative procedures are required prior to importation.
2. Foreign exchange is not automatically provided by the banking authorities for the goods to be imported. Before importing, importers must present their import licenses for signature of the bank through which the transaction will be processed.

**ANNEX 4**

**INFORMATION ON IMPLEMENTATION AND ADMINISTRATION OF THE  
AGREEMENT ON CUSTOMS VALUATION**

1. Questions concerning Article I

(a) Sales between related persons

- (i) Are sales between related persons subject to special provisions?
- (ii) Is the fact of intercompany prices prima facie considered as grounds for regarding the respective prices as being influenced?
- (iii) What is the provision for giving the communication of the afore-mentioned grounds in writing if the importer so requests? (Article 1.2(a))
- (iv) How has Article 1.2(b) been implemented?

Article 9 of the Customs Law of the Lao PDR accepts as the declared import value the actual value of delivered goods to the Lao border inclusive of the value of the goods and others, such as, insurance and transport costs which buyers and sellers have agreed to transact. The Customs Law is silent on sales between related parties. Consequently, no information on the issues raised in (ii), (iii) and (iv) is available.

(b) Price of lost or damaged goods

There are no special provisions or practical arrangements concerning the valuation of lost or damaged goods.

2. How has the provisions of Article 4 to allow the importer an option to reverse the order of application of Articles 5 and 6 been implemented

The Lao PDR customs law does not yet reflect this provision of the Customs Valuation Code.

3. How has Article 5.2 been implemented

The Lao PDR Customs Law does not yet reflect this provision of the Customs Valuation Code.

4. How has Article 6.2 been implemented

The Lao PDR Customs Law does not yet reflect this provision of the Customs Valuation Code.

5. Questions concerning Article 7

- (a) What provisions have been made for making value determinations pursuant to Article 7?

(b) What is the provision for informing the importer of the customs value determined under Article 7.

(c) Have the prohibitions found in Article 7.2 been delineated?

The Lao PDR customs law does not yet reflect this provision of the Customs Valuation Code.

6. How have the options found in Article 8.2 been handled? In the case of f.o.b. applications, are ex-factory prices also accepted

Article 9 of the Customs Law adopts the c.i.f. method of valuation.

7. Where is the rate of exchange published, as required by Article 9.1

Article 24 of the Customs Law that customs duties will be computed at the applicable exchange rate on the day the detailed customs declarations are registered in absolute numbers. The exchange rate is set by the Ministry of Finance.

8. What steps have been taken to ensure confidentiality, as required by Article 10

Article 104 of the Customs Law requires customs officers, in the performance of their duties, to maintain the confidentiality. Article 105 provides for disciplinary measures or penalties if a customs officer abuse their rights or use their rights and duties for illegitimate personal interest or act in a manner to hinder or restrict the lawful circulation of goods.

9. Questions concerning Article 11.

10. What rights of appeal are open to the importer or any other person

Article 23 of the Customs Law enables importers to appeal to the investigation committee of the Customs Department if they are dissatisfied with decisions of customs officers. The decision will be made within 2-3 days. In the case of dissatisfaction with the decision of the investigation committee, the importer may further apply to Ministry of Finance or judicial court.

(a) How is he informed of his right to further appeal

Advice of right of further appeal would be by letter or notification.

11. Provide information on the publications, as required by Article 12, of

(a) (i) the relevant national laws

The national law is Customs Law No. 04/94 of 18 July 1994. Publications are provided in the Official Gazette and they are also available in media.

(ii) the regulations concerning the application of the Agreement

The Ministry of Finance proposes to amend the Customs Law in order to comply with the provisions of the WTO Customs Valuation Agreement.

(iii) the judicial decision and administrative rulings of general application relating to the Agreement

No such arrangements are yet in place.

(iv) general or specific laws being referred to in the rules of implementation or application

No such arrangements are yet in place.

(b) Is the publication of further rules anticipated? Which topics would they cover

The Lao PDR customs law, including procedures for customs valuation are being reviewed.

12. Questions concerning Article 13

(a) How is the obligation of Article 13 (last sentence) being dealt with in the respective legislation

(b) Have additional explanations been laid down

In certain cases, Article 25 permits customs officers to authorize the removal of certain types and inspected goods from the warehouse before payment of customs duties, but a guarantee shall be made for the payment of customs duties in due time as specified by the customs officer which shall not exceed seven days. Imported goods for which authorization for removal has been given shall be removed immediately.

13. Questions concerning Article 16

(a) Does the respective national legislation contain a provision requiring customs authorities to give an explanation in writing as to how the customs value was determined

There is currently no such provision yet.

(b) Are there any further regulations concerning an above-mentioned request

There is currently no such provision yet.

14. How have the Interpretative Notes of the Agreement been included

The Lao PDR customs law does not yet reflect this provision of the Customs Valuation Code.

15. How have the provisions of the Decision of 26 April 1984 on the Treatment of Interest Charges in the Customs Value of Imported Goods (Val/6/Rev.1) been implemented.

The Government is studying the decision and also understands that acceptance of the decision is not obligatory for the WTO members.

16. For those countries applying paragraph 2 of the Decision of 24 September 1984 on the Valuation of Carrier Media Bearing Software for Data Processing (Val/8), how have the provisions of this paragraph been implemented?

The Government is studying the decision and also understands that acceptance of the decision is not obligatory for the WTO members.

## ANNEX 5

### **INFORMATION ON TECHNICAL BARRIERS TO TRADE**

1. Description of relevant laws etc relating to the implementation and administration of technical barriers to trade.

The relevant law governing the system for establishing and managing the standard and quality of goods and products is Decree No. 85/PM issued by the Prime Minister of the Lao PDR effective 2 November 1995 regarding the Management of the Standard and Quality of Goods and Products. Article 1 of the Decree declares its objective to be to ensure and to improve the quality of goods and products, to expand international cooperation, to promote the production of high quality products and to protect consumer rights and benefits. Article 3 places the liability on producers for the quality of goods and products. Article 4 gives producers to file petitions to standard-making agency regarding the production or marketing of fake goods and products and all instances of misrepresentation regarding the quality of goods and products.

Chapter II of the Decree deals with the duties and rights of the national and local level agencies dealing with the standard and quality of products. Article 6 establishes a Central Management Agency with primacy in establishment and management of the standard and quality of good. Articles 7 and 8 set out the duties and rights of the Central Agency and local agencies respectively. Some other Articles deals with issues such as notification, supervision and quality control and testing, dispute resolution, creating standards and international cooperation.

Chapter III covers the establishment and usage of national standards certification of standards, an office of quality inspection and a program for inspecting goods and products. Chapter IV sets out the duties and responsibilities of producers and businesses and the protection of consumer rights. Chapter V covers inspection of the quality of goods and products. Chapter VI stipulates an award scheme for persons reporting violations of the provisions of the Decree and the penalties for violations. In Chapter VII on implementation, the Science, Technology and Environmental Agency (STEA) in the Office of the Prime Minister is assigned the role managing agency and is tasked to expand the Decree by further regulations and detailed instructions for implementation. Finally, concerned Ministries and Agencies, provinces and the prefecture (of Vientiane) must strictly abide by their respective rights and duties under the Decree.

2. Information regarding:
  - (a) New technical regulations or standards and procedures are published in the official gazette and other media such as newspapers and broadcasting.
  - (b) Under Decree 85/PM issued by the Office of the Prime Minister effective 2 November 1995, a Central Management Agency was established whose role is to coordinate the management of standards and quality of goods. The agency management of standards and quality of goods is divided into two levels, namely, the central management agency which is appointed by the Science, Technology and Environment Agency of the Prime Minister's Office; the local Provincial, Municipal and Division management or line Ministries level. While all three levels would be able to provide documentation on request, the Science, Technology and Environment Agency (STEA) in the Office of the Prime Minister would be the appropriate inquiry point for the purposes of Articles 10.1 and 10.3. Details are Director-General, Department of Intellectual Property, Standardization and Metrology, Science,

Technology and Environment Agency, Prime Minister's Office, P.O. Box 2279 Nahaidiao Rd., Vientiane, Lao PDR.

The agency dealing with consultation and dispute settlement mentioned in Article 14 of the Agreement is STEA at the address given in (b) above.

- (c) For matters dealing with food and drugs the contact details are Director-General, Department of Food and Drug, Ministry of Public Health, Simuang Rd. Vientiane, Lao PDR. All other product inquiries should be addressed to STEA.
- (d) The scope of responsibility of the government authorities in the area of notification requirements provided for in the TBT Agreement mainly rests with Ministry of Commerce and Tourism and Authorities concerned.
- (e) Measures and arrangements to ensure that national and sub-national authorities preparing new technical regulations or substantial amendments to existing ones, provide early information on their proposals are provided for in the supervisory, reporting and dispute settlement provisions of the Decree. Article 6.1 allocates to the Central Management Agency the role of coordinator for the Central Government in the organization, recommendation and inspection of the activities of government divisions, localities, grass roots production units and businesses throughout the country. Under Article 7.1, the Central Agency has the right and duty to inspect, monitor and evaluate the performance of organizations, plans, rules and regulations regarding the management of standards and the quality of goods and products and to report periodically on these matters to the Office of the Prime Minister. Article 7.5 allocates to the Central Agency the role of resolving issues concerning proposals, petitions and demands from all parties and from the people regarding the standard and quality of goods and products.



**ANNEX 6**

**INFORMATION ON STATE-TRADING ENTERPRISES**

Please refer to Section IV. 3 (e).

**ANNEX 7**

**FOREIGN TRADE AGREEMENTS**

List of foreign agreements on trade and economic cooperation

An analytical summary of the bilateral trade agreements of the Lao PDR is set out in table Annex 7.1.

Details of preferential provisions in CEPT Agreement of the ASEAN Free Trade Area:

The commitments by the Lao PDR under the ASEAN Free Trade Agreement have been supplied to the ASEAN Secretariat.

The margin of preference accorded to ASEAN countries can be deduced from existing commitments.

The Lao PDR has made binding commitments on the AFTA inclusion list to reduce 1247 tariffs (out of a total of 3551 lines) to zero by 2008. The average level of those tariffs is 7.5 per cent. The tariffs are to be reduced in annual cuts to reach 0 per cent by the end of the timeframe.

It is difficult to estimate the rate of preference when the tariffs on the Temporary Exclusion List (a further 59.8 per cent of the tariff lines of the Lao PDR are transferred to the Inclusion List of AFTA because the rates of reduction will be determined during the period 2001 to 2005.

Table Annex 7.1 Lao PDR - Bilateral Trade and Economic Agreements						
Country	Agreement	Signed	Entry into force	Term (years)	Preference	mfn
China	Agreement on the Foundation of the Economic, Trade and Technical Cooperation Agreement Trade Agreement	11/6/97 11/6/97	11/6/97	5 5		Yes
Korea, North	Trade Agreement	2/5/97	2/5/97	5		Yes
Malaysia	Trade Agreement	11/8/98		5		Yes
Myanmar	Trade Agreement	8/5/95		1 (extends automatically)		Yes
Thailand	Trade Agreement	20/6/91	10/6/91	1 (extends automatically)		Yes
USA	Agreement on Investment Promotion	8/3/96	26/3/96	20		Yes
Vietnam	Trade Agreement	9/3/98				mfn

(Source: Ministry of Commerce and Tourism)

**ANNEX 8**

**SUMMARY OF THE TAX SYSTEM AS OF MAY 1999**

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
<b>1. Taxes on income and profits</b>					
1.1	Taxes on enterprise profits (profit tax)	Annual levy on profits derived in the Lao PDR by enterprises from business operations (production, trade, and service), payable in advance on a quarterly basis.	<p>a. Travel and guest's reception expenses which shall not exceed 0.20 per cent of the annual business income, or not more than 6,000,000 kip for each item per year. (page 21) * Gifts, allowances, presents and prizes which shall not exceed 0.15 per cent of the annual business income, and not more than 4,000,000 kip per year.</p> <p>b. Asset amortization of each asset permitted, using the following four annual rates: <u>50 per cent</u>: business establishment; <u>20 per cent</u>: land transport facilities (vehicles) machines and other equipment for industrial, agricultural, craft and other activities and instruments and tool sets; <u>10 per cent</u>: office instruments and other supplies; office installation,; improvement and decoration,; and temporary trade premises; and trade premises and dwelling-houses: temporary bases (or medium-term basis), <u>5 per cent</u>: industrial, permanent trade premises and vessels and passenger planes. Non-allowed residue is deducted from the sale price to compute the profit or loss.</p> <p>c. Carry-forward of losses available for up to 3 years.</p> <p>d. Three computational regimes: <u>Real taxation Regime</u> based on extended accounting system for foreign investors, import-export traders and businessmen with annual turnover greater than KN 240 million; <u>Simplified taxation Regime</u> based on ordinary or common accounting system, for other</p>	<p>General rate</p> <p>Discount rates</p> <p>For enterprises in designated areas/city</p> <p>For enterprises in rural and lowland areas</p> <p>For enterprises in mountain and remote areas.</p>	<p>35</p> <p>20</p> <p>15</p> <p>10</p>

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
			<p>businessmen with annual turnover between 24 million and 240 million kip; <u>Presumptive taxation Regime</u> for those with primary accounting system, based on agreed estimation for turnover less than 24 million kip with progressive rates for production, construction, and transport (1-7 per cent), trade (2-8 per cent), and services, restaurants (3-9 per cent).</p> <p>e. The Profits shared or other taxable benefits shall include such profits as may be applied to any forms of utilization, including direct spending, unless it shall be saved to the accumulation funds or included to the companies' capital assets, bonuses, meeting per diems, benefits arisen by increase or reduction of capital assets of companies, concentration of enterprises, transfer of shares, values added from the companies bankruptcy or dept liquidation;</p>	<p>General rate</p> <p>Discount rates</p> <p>Urban area</p> <p>Rural and low land areas</p> <p>Mountainous and remote areas</p>	<p>35</p> <p>20</p> <p>15</p> <p>10</p>
			f. <u>Reliefs</u> : Case-by-case tax relief given to domestic enterprises (2-5 years) under Domestic Investment Law 03/95/NA of October 14, 1995 and to foreign and jointly owned enterprises (2-4 years), under Law 1/94 of march 1994.		
1.2	Minimum profit tax	Applicable annually to gross turnover of the previous year of those enterprises subject to the extended or ordinary accounting system. Advance once-and-for-all payment Creditable against final liability but no reimbursement of over payment.	Foreign and local investors who are in a system of annual profit tax exemption.		1%
1.3	Tax on social / religious / cultural organizations and associations	Incomes from immovable property leasing and non-business activities	None		10%

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
1.4	Tax on personal income from employment	Levied on wages, salaries, bonuses, and other emoluments derived from employment in the Lao People's Democratic Republic (Lao PDR) or, when deputed to international organizations, by Lao citizens receiving emoluments abroad on which they are not taxed. Withheld at source by the employer on a monthly basis	All persons with monthly wages or salaries below KN 30,000  Exemptions are granted to a selected list (12) of incomes, including income from agricultural production by peasants themselves, from cultural events, etc.	<u>Monthly Wage or Salary</u> (In kip)  equal to or less than 30,000 30,001-125,000 125,001-250,000 250,001-500,000 500,001-1,000,000 1,000,001-2,000,000 2,000,001-3000,000 3,000,001-5,000,000 5,000,001 and above	<u>Tax Rate (In %)</u>  - 5 10 15 20 25 30 35 40
1.5	Tax on personal incomes of persons in self-employment	Levied on net profits made by individuals form business operations, and immovable property leasing. payment on an advance quarterly basis	First KN 360,000 is exempt	<u>General Activities</u> (In kip)  equal to or less than 360,000 360,0001-1,500,000 1,500,001-3,000,000 3,000,001-6,000,000 6,000,001-12,000,000 12,000,001-24,000,000 24,000,001-36,000,000 36,000,001-60,000,000 60,000,001 and above	<u>Tax Rate</u> (In %)  - 10 15 20 25 30 35 40 45
1.6	Tax on personal incomes from immovable property leasing	Levied on incomes received by individuals form immovable property leasing.	House with domestic lease holder:  Permanent house - 30 percent of rent price. Half permanent (wooden) house - 25 percent of the rent price  House with foreign lease holder:  If income from leasing house over 2000US\$/Month; House with 2 floors or building - 2.0 US\$ M <sup>2</sup> /Month House with 1 floor - 1.7US\$M <sup>2</sup> /Mth Block house with 2 floors or more - 1.2 US\$ M <sup>2</sup> /Month Block house with 1 floor - 1.0 US\$M <sup>2</sup> /Month  If income from leasing house less than 2000US\$/Month  Incomes from leasing land and other property		30%  25%

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
1.7	Tax on investment income	Levied on incomes of entities and individuals from gross market-based rents, dividends, lending interest rates, and guarantee fees on a global basis, where appropriate.	Interest on bank deposits		10 %
1.8	Tax on property rights	Licenses and other intellectual property rights.	None		5 %
<b>2. Taxes on land and property</b>					
2.1	Transfer taxes	Applied to the market value of real estate property transferred between private persons through inheritance, sale or gift.	None	Transfers between: direct descendants second-degree relatives third-degree relatives other land and houses undeveloped land	0.5 1 2 3 4
2.2	Land tax	Annual tax levied on land area. Tax is collected from January to end-April.  Taxable land is divided in three categories:  1. Occupied land (i.e. land occupied by buildings and factories)  2. Agricultural land  3. Other	Land occupied by temples, public welfare buildings, embassies and housing for disabled persons (for extensions of less than 5,000 sq. km)  Agricultural land, not exceeding two hectares per family, occupied by disabled military personnel and civilians  Agricultural land situated in mountainous areas yielding less than 150 kg rice per person per year  Agricultural and affected by natural disaster or other damages in accordance to the damage.  Newly cleared rice fields in mountainous (5 years) and flat land (3 years)  Industrial orchards (2-3 years)	1. <u>Occupied land:</u>  Rates vary from KN 0.5 to KN 30 per square meter per year in accordance with the use (housing, production factories, business or service and unused open land) and location.  2. <u>Agricultural land</u>  Rates vary from KN 500 to KN 6,000 per hectare per year in accordance with: (I) land use (rice land, garden land, and farm land); (ii) location (level field and mountainous areas); and (iii) type of production (for rice, number of crops per year and for garden, type of trees)  3. <u>Other land:</u>  KN 1,000-6,000 per hectare per year.	

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
<b>3. Taxes on goods and services</b>					
3.1	Turnover tax	<p>The tax is levied on the turnover of importers, domestic manufacturers, and service providers (but not retailers) and allows for a credit for tax paid at earlier stages. <u>Importers and domestic distributors</u> pay tax monthly on their sales and receive credit for the turnover tax they may have paid on their imports. <u>Domestic manufacturers</u> pay monthly, on their sales (at wholesale prices) and receive credit for any tax that has been paid on their raw material purchases or imports (but not on their capital good purchases or purchases of services).</p> <p><u>Service providers</u> also pay tax monthly, on their sales receipts and receive credits for their input purchases. <u>Retailers</u> are not subject to tax.</p> <p>All imports, not exempt from import duties, are subject to turnover tax and the base of taxation is customs value <u>plus</u> customs duty, and fees <u>plus</u> excise duty, if any.</p> <p>Large suppliers, with an annual turnover of more than KN 24 million, who are subject to accounts-based profits tax, pay turnover tax based on the issued invoices and their sale invoices are required to show the payment of the tax separately.</p>	<p>The following activities are exempt from turnover tax:</p> <ul style="list-style-type: none"> <li>- import of crop seeds, animal breeds and insecticides;</li> <li>- import of materials, instruments and chemical components for research purposes;</li> <li>- import of gold for the notes issuing institution;</li> <li>- import of bank notes or coins;</li> <li>- import or activity relating to tax or post stamps;</li> <li>- import of planes and instruments for international air transportation;</li> <li>- imports of goods or accessories for components of international air transportation</li> <li>- import of goods for selling to diplomats and international organizations in the Lao People's Democratic Republic (Lao PDR) according to permissions of the Ministry of Foreign Affairs;</li> <li>- import of goods with tax exemption or temporary import;</li> <li>- import and sales of animal treating medicines;</li> <li>- sales of self-produced agricultural products by peasants;</li> <li>- forestation activities, industrial trees and fruit planting;</li> <li>- sales of agricultural and handicraft products by the government employees or co-operative members on family basis or limit;</li> <li>- export of goods and services;</li> <li>- sales of allowed text books, newspapers and magazines;</li> <li>- international transportation and relevant services; (international transportation - transportation of passengers or cargoes from abroad or to abroad by land, air and sea/river)</li> </ul>	<p>The turnover tax is levied at 5 percent and 10 percent. <u>Illustrations</u> of items subject to these rates follow:</p> <p><u>Category</u></p> <p>Agricultural products, rice flour, manioc and maize flour. 5 Chemicals and mineral products 5 All foodstuff 5 Machinery and equipment 5 Medical services 5 Agricultural services 5 Goods and services not specifically mentioned in 10 percent rates 5 Electricity and fuel 5 Consumer durables 5 Furniture, tea and coffee 10 Capital equipment, raw materials, and spare parts 10 Construction and land development 10 Softdrinks and non-alcoholic drinks 10 Transportation 10</p> <p>Motorcycles, trucks, minibuses, buses and associated spare parts. 10 Imports and sales of TV, radio and other electronic equipment 10 Passenger cars, jeeps, pickups, plane ships, motorboats for recreation 10 Precious metals and jewelry 10 Hotels and tourism 10 Telecommunication services 10 Alcoholic drinks and cigarettes 10 Games 10 Entertainment activities 10</p>	<p><u>Tax Rate (In %)</u></p>



	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
			<ul style="list-style-type: none"> <li>- transport by people, animals and boats without engines;</li> <li>- provision of leasing immovable properties, such as land, houses and others by persons who do not have business activities;</li> <li>- export services;</li> <li>- independent job-occupation by one's own labour;</li> <li>- educational activities: child schools, primary schools, secondary and high schools, universities and professional technical schools;'</li> <li>- activities for public benefits held by government authorities and international organizations; and</li> <li>- banking and insurance activities.</li> <li>- rice</li> <li>- fertilizer</li> <li>- wheelchairs</li> <li>- fire trucks</li> </ul>	<p>exemption exemption exemption exemption</p>	
3.2	Excise duties	Levied equally on imports and domestic supplies of petroleum products and selected consumer goods. Imported items are subject to tax on customs duty-inclusive values while domestic suppliers are subject to tax on ex-factory costs.	<p>The following are exempt:</p> <ul style="list-style-type: none"> <li>- Purchases by embassies and international organizations</li> <li>- Kerosene</li> <li>- Accon (90) for medical purposes</li> <li>- Purchases of petroleum products for externally-funded projects</li> <li>- Exports of excisable goods</li> </ul>	<p>The ad valorem excise duties are as follows:</p> <p><u>Item</u></p> <p>Petroleum products:</p> <p>Super gasoline 23</p> <p>Regular gasoline 24</p> <p>Diesel 12</p> <p>Kerosene 10</p> <p>Hydraulic, brake, lubricating, and grease oil 5</p> <p>There is an additional excise duty on:</p> <p>Super 30</p> <p>Regular 20</p> <p>Diesel 20</p> <p>Alcohol</p> <p>All types with 15 proof and more 60</p> <p>All types with less than 15 proof 50</p>	<p>kip/ltr</p>

	Tax	Nature of Tax	Exemptions and Deductions	Rates		
				Rates	Tax Rate (In %)	
				Soft drinks Cigarettes and cigars Cosmetics and perfumes Playing cards, and the like Vehicles - Cars All Types of passenger cars All types of Jeeps All types of Pick ups Buses and Coaches All types of Trucks Motorcycles Miscellaneous Items: Electrical appliances (freezers, heaters, air conditioning units, washing machines, vacuum cleaners, color TVs, cameras, VCRs, cameras) Entertainment tools and services, hunting guns  There is an additional specific rate on: Beer Soft rink Tobacco(kip/pack)	30 50 20 70  180 111 84 61 58 120 12  10   kip/ltr 500 200 600	
3.3	Business and professional licence	Levied annually on registered industrial and commercial enterprises, based on turnover and on import-export enterprises, based on capital. Payable during the first three months of the year on a current basis.	None	Different rates apply to enterprises producing for the local market and import-export enterprises.		
				<u>Turnover</u> (In millions of kip)	<u>Rates applicable to local enterprises</u> (In kip)	
				0-1 1-5 5-10 10-20 20-50 50-100 100-200 200 & above	0.0 6,000 10,000 20,000 40,000 70,000 100,000 150,000	

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
				<u>Capital</u> (In millions of kip)	<u>Rates applicable to import-export</u> (In kip)
				10-50 50-100 100-150 150-200 200 & above	100,000 200,000 300,000 400,000 500,000
				Fees vary according to size of engine (for cars and motorcycles), weight (for trucks), and the number of seats (for buses)	KN 2,000 to KN 360,000
3.4	Road Tax	Levied annually on all motor vehicles (motorcycles, cars, trucks, etc)	The following are exempt:  Government cars  Cars of the diplomatic corps, international organizations, and foreign experts  50 percent reduction for government staff, soldiers, policemen, students for one vehicle  60 percent reduction for pensioners		
3.5	Air travel fees	Levied annually for:  (i) Civil aviation registration  (ii) Examination issuance and renewal of permits	None	Fees vary according to weight	KN 7,000 to KN 70,000 KN 5,000 to KN 40,000
3.6	Airspace over-flight fees	Levied on all aircraft without regard to nationality over-flying the territory of the Lao People's Democratic Republic (Lao PDR)	VIP special aircraft  Hospital aircraft carrying patients		\$160-\$250 per over-flight
3.7	River transport fees	Levied annually	None	Fees vary according to size of boats	KN 200 to KN 20,000
3.8	Border entry and exit fees  Persons Vehicles		Diplomatic personnel and relatives  Foreign experts and relatives	Nationals Foreigners Land and water vehicles	KN 500 US\$5 KN 1,500 to KN 11,000
3.9	Fees for extended residence in the Lao PDR		Diplomatic corps, foreign experts, and their relatives.	Fees vary according to length of stay.	KN 6,000 to KN 12,000

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
3.10	Fee for temporary border passes		None		KN 200 to KN 3,000
3.11	Fees on delivery of passports, visas, and laissez-passer documents		None	Fees vary according to nature of document and applicant.  Foreigners:  Lao Nationals:	US\$10-US\$80  KN300 to KN 10,000
3.12	Consular fees overseas	Levied every five years.	None	Fees vary in accordance with the location of the consular office and type of document.	\$2-\$32
3.13	Fees on possession of personal arms	Levied annually	None		KN 3,000 to KN 4,000
3.14	Television and audio use fees		None	Television sets: Video cassette recorders:	KN 500 KN 1,000
<b>4. Taxes on international trade</b>					
4.1	Import duties	<p>Until recently, imposed on values fixed in US\$ terms. Such values were fixed for most items, jointly by the Ministry of Trade and the Customs Department. The main exceptions are motor vehicles and selected computer equipment, for which invoice values are accepted. The U.S. dollar values are converted into local currency at rates set by the Ministry of Finance.</p> <p>Increasingly, duties are being levied on c.i.f. values.</p>	<p>Imports of diplomats and army/police are exempt. Goods imported by the Government for use in externally-financed development projects are also exempt; the Government otherwise pays duties on its other imports. Imports of fuel by Lao Aviation for international transport is exempt. Also exempt are imports under bilateral grants and externally-funded humanitarian imports.</p> <p>There are no discretionary exemptions. The Minister of Finance does not have the power to grant duty exemptions.</p> <p>Currently, there is no drawback scheme for import duties paid on inputs for exports.</p>	<p>Six rates ranging from 5 to 40 percent. The kinds of goods subject to these rates are as follows:</p> <p>Imported inputs (raw materials, machinery and equipment, building materials) for approved foreign-financed private sector and joint venture investment projects.</p> <p>Raw materials, chemicals (including fertilizers), packaging materials, some machinery (incl. tractors and tools for agriculture), and essential consumer goods (rice, wheat flour, salt, baby foods, medicines, books and printed materials), cameras.</p> <p>Other machinery and spare parts, and less essential goods (sugar, cheese, butter, chocolate, cooking oils, footwear, garments, photographic films, refrigerators, dishwashers, household electrical appliances, stereo systems, carpets, pearls and diamonds).</p> <p>Selected luxury consumer goods (premium petrol, cosmetics and</p>	<p><u>Tax Rate</u> (In %)</p> <p>1</p> <p>5</p> <p>10</p> <p>20</p>

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
				<p>toiletries, TVs and VCRs, radio cassette players, table games and funfair articles, buses, minibuses, air-conditioning units).</p> <p>Other luxury consumer goods (prepared meats and fish, cereals and prepared foods, white chocolate confectionery, toilet soaps and deodorants, perfumes, wines, and spirits), pick up trucks.</p> <p>Soft drinks, liquors, beer, tobacco, detergents, processed wood, jeeps, cars, motorbikes, cigarettes, cigars.</p> <p>In addition, one highest rate applies:</p> <p>Essentially a protective tariff rate (on unprocessed vegetables and fruits, non-roasted coffee, roasted coffee, furniture, soft drinks, motorcycles).</p>	<p>30</p> <p>40</p> <p>50</p>
4.2	Export duties	Levied on selected products. (Duties on exports of logs and wood products are included in timber royalties or stumpage prices)	None	Electricity: 20 percent of invoice value; coffee: 5 percent of FOB value; livestock: 5 percent of FOB value; logs: specific rates; saw-wood specific rates; semi-finished wooden products (lumber, parquet): 40 percent of FOB value; finished wood products (plywood): 3 percent of FOB value.	
4.3	Transit tax	Imposed on "transit" vehicles shipping traded commodities between Thailand, Vietnam, and China via the Lao People's Democratic Republic (Lao PDR)		*A Fee Does Apply*	
4.4	Tax on foreign investments	Imposed on declared profits of new government ventures and private enterprises with foreign capital	Several tax holidays	20 percent	

	Tax	Nature of Tax	Exemptions and Deductions	Rates	
				Rates	Tax Rate (In %)
<b>5. Taxes on timber and other natural resources</b>					
5.1	Timber royalties	Levied as a fixed dollar amount per cubic meter of timber sold, both for domestic consumption and export. Timber royalties incorporate other taxes previously levied on timber products, i.e. the <u>reforestation tax</u> , the <u>resource tax</u> levied on the timber production rate, and the <u>export duties</u> , levied by the Customs Department on exported timber.	None	Royalties established by the Ministry of Commerce and the Forestry Department of the Ministry of Agriculture. Since February 1995, royalties average about US\$15,650, depending on the timber quality.	
5.2	Taxes on natural resources	Levied in the form of specific duties on volume of mineral extraction, or ad valorem duties on sale price of mineral products	None	Ferrous metals  Non-ferrous metals  Coal  Construction Materials	2% of sale value  2-5%  2-3%  KN 50 per 100m <sup>2</sup>

Source: Ministry of Finance.

Note: This summary incorporates the revised tax rates and revisions in other aspects of the tax system which are a part of the new tax law, adopted by the National Assembly at the end of 1995.