

# LAOS

## TRADE SUMMARY

The U.S. goods trade deficit with Laos was \$33 million in 2011, down \$14 million from 2010. U.S. goods exports in 2011 were \$26 million, up 117.5 percent from the previous year. Corresponding U.S. imports from Laos were \$59 million, down 0.4 percent. Laos is currently the 184th largest export market for U.S. goods.

Laos applied for WTO membership in 1997 and is in the accession process.

## IMPORT POLICIES

### Tariffs

Under the terms of the United States-Laos Bilateral Trade Agreement (BTA), which entered into force on February 4, 2005, the United States granted Normal Trade Relations treatment to products of Laos, and Laos committed to provide U.S. exports with preferential tariff rates on a range of products and to apply most favored nation (MFN) treatment to the remainder of imports from the United States. The United States continues to monitor the application of the BTA and MFN tariff rates to U.S. products.

### Nontariff Barriers

*Import Restrictions and Licensing Requirements:* All imports are subject to licensing requirements, and most licenses are non-automatic. Among the wide range of products subject to non-automatic licenses are food and animal feeds, fuels and lubricants, steel bars for construction, print and audiovisual material, cement, and motor vehicles. Only firms licensed as import companies are permitted to import goods into Laos.

*Customs:* Nearly every container that enters Laos at a formal border checkpoint is inspected, and foreign businesses regularly complain of irregularities and corruption in the clearance process. A large proportion of goods enter Laos informally due to weak border control. Customs procedures in Laos have improved since the introduction of the ASEAN Harmonized Tariff Nomenclature, but a large number of approvals and informal payments are often still required to get through the process. Laos was unable to fully implement transaction value processes by the end of 2011, although administrative pricing is being phased out. As part of its WTO accession process, Laos has committed to full implementation by mid-2012.

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

## INTELLECTUAL PROPERTY RIGHTS PROTECTION

Laos is working to modernize its intellectual property rights (IPR) regime, but currently provides inadequate levels of IPR protection. Its weak IPR enforcement, which results from a lack of government

coordination, insufficient resources, and an absence of implementing measures, continues to discourage U.S. trade and investment. As of December 2011, Laos was undertaking a revision of the Intellectual Property Law with the goal of passing comprehensive intellectual property legislation. Laos has received significant assistance from the U.S. Government in reforming the Intellectual Property Law in order to implement fully its obligations under the BTA and eventually the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. Among other things, Laos must establish a system of civil litigation and criminal enforcement in order to fully implement its commitments under these agreements.

## **SERVICES BARRIERS**

### **Education**

The Lao government prohibits foreign entities from providing education services in Laos. The Ministry of Education closely monitors the ideological content of curricula.

## **INVESTMENT BARRIERS**

Laos has a challenging investment climate due to a weak rule of law, opaque regulations, and inefficient infrastructure and services, particularly financial services. The documentation required by the Lao government for foreign businesses remains burdensome and effectively separates business activity into foreign and domestic categories. Laos still requires a feasibility study for investment by foreign businesses.

The Lao government requires an annual renewal of a Lao business license, which is contingent on certification that all taxes have been paid. However, taxes are often assessed in an inconsistent and nontransparent manner. U.S. companies have been denied necessary local business licenses, despite possessing valid national long-term investment permits. The U.S. Government continues to urge the Lao government to address these issues.

## **OTHER BARRIERS**

Corruption remains a significant concern in Laos. Informal payments to low level officials to expedite time-sensitive applications, such as business licenses or importation of perishable items, are common. The National Assembly has attempted to address endemic corruption, but progress has been minimal. It passed implementing regulations for an anticorruption law in 2005, for example, but they have yet to be issued. Additionally, publicly available information on commercial law is lacking. The Lao government expects to address this deficiency with a “Law on Laws” during 2012.