

# LAOS

## TRADE SUMMARY

The U.S. goods trade deficit with Laos was \$7 million in 2007, an increase of \$5 million from \$2 million in 2006. U.S. goods exports in 2007 were \$13 million, up 92 percent from the previous year. Corresponding U.S. imports from Laos were \$20 million, up 129.9 percent. Laos is currently the 192nd largest export market for U.S. goods.

## IMPORT POLICIES

### Tariffs

The Agreement between the United States and the Lao People's Democratic Republic on Trade Relations (or United States-Lao Bilateral Trade Agreement (BTA)) entered into force on February 4, 2005. Under the terms of the BTA, the United States granted NTR treatment to products of Laos, and Laos committed to implement a variety of market access concessions and trade rules, which are discussed in more detail below. Laos is currently in the early stages of WTO accession negotiations. Implementation of the BTA, which is proceeding slowly, will help Laos prepare to undertake the necessary WTO obligations.

### Nontariff Barriers

*Import Prohibitions:* Lao law prohibits the importation of weapons, illegal drugs, toxic chemicals, certain video games, pornography, and literary materials deemed inappropriate or detrimental to national security. It also requires pre-approval for the importation of agricultural products that are grown domestically in quantities sufficient to meet demand and of 24 other specifically designated goods.

*Customs:* Border control is weak throughout the country and border trade is poorly controlled. Almost every container that enters Laos at a formal border checkpoint is inspected, and foreign businesses regularly complain of corruption. Customs procedures in Laos have improved since the introduction of the ASEAN Harmonized Tariff System. However, a large number of approvals and informal payments are still required to get through the process. Laos is obligated under the terms of the BTA to use the transaction value for customs valuation purposes and the United States continues to closely monitor implementation of this obligation.

*Taxes:* All goods and services are subject to a turnover tax of either 5 percent or 10 percent. Laos appears to apply turnover tax rates to many domestic products lower than those applied to imported products or to apply turnover tax exemptions to domestic products that it does not apply to imported products. The United States continues to work with Laos to ensure its tax regime complies with its BTA obligations and conforms to Laos' obligations with respect to national treatment in the application of all internal taxes. In addition to the turnover tax, certain goods are subjected to an additional excise tax. These goods include: distilled spirits and beer (50 percent to 70 percent); soft drinks and beverages (30 percent); cigarettes (55 percent); perfume and other cosmetic products (30 percent); and vehicles (65 percent to 90 percent).

## **STANDARDS, TESTING, LABELING, AND CERTIFICATION**

Laos has no specific law on standards for imported or exported goods. Imported goods are allowed to enter based on the certification of the country of export. Laos has no special labeling or marking requirements.

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

Laos provides varying levels of IPR protection. While it accepted international assistance in the drafting of an IPR law, that law has not yet been completed, and implementing regulations are also lacking with respect to those laws that are in force. Laos issued its trademark decree in 1995, which places the recently reorganized Science and Technology Agency (STA), a ministry level agency within the office of the Prime Minister, in charge of the issuance of trademarks. Laos is a first-to-file system. Applicants do not have to demonstrate prior use. There are currently about 15,854 trademarks registered in Laos. A decree protecting patents, petty patents, and industrial designs was approved in January 2002. A draft copyright law was developed in 2005, but it has not yet been enacted, therefore copyrights and related rights are unprotected in Laos.

STA is responsible for IPR administration and enforcement in Laos. While STA personnel are well-trained, they have little authority, and IPR enforcement remains weak. In particular, STA lacks the power to arrest and does not effectively coordinate with the police. Effective IPR enforcement at the border is lacking due to Laos' porous borders.

Laos became a member of the World Intellectual Property Organization in 1995 and a member of the Paris Convention for the Protection of Industrial Property in 1998, but has not yet acceded to the Berne Convention for the Protection of Literary and Artistic Works. As a member of ASEAN, Laos has acceded to all of ASEAN's framework agreements, including the ASEAN Framework Agreement on Intellectual Property Cooperation.

## **SERVICES BARRIERS**

### **Banking**

The Lao financial sector is dominated by the Central Bank of the Lao PDR and three state-owned commercial banks. The new Law on Commercial Banking, passed in December 2006, provides new procedures for the establishment, management, and auditing of commercial banks, and removes the geographic restrictions on bank operations. Foreign banks had previously been restricted to the capital, Vientiane, which severely limited their competitiveness in providing financial services to the southern part of the country where business is concentrated. Following passage of the new banking law, three new private banks, including one that is Lao-owned, began operating.

### **Education**

Foreign entities are prohibited from providing education services in Laos. The Ministry of Education maintains a close watch over the ideological content of curricula.

### **Telecommunications**

Laos has a relatively undeveloped telecommunications network (approximately 10 percent per capita penetration), and the Lao government has actively sought foreign investment to develop the sector starting with a Thai joint venture with the monopoly operator. When that joint venture's 5 year

exclusivity ended, several foreign-affiliated mobile operators entered the market using both CDMA and GSM technology, accounting for the majority of the growth of the Lao mobile market.

## **INVESTMENT BARRIERS**

Laos has a challenging investment environment due to the lack of the rule of law, opaque regulations, and inefficient infrastructure and services, particularly in financial services.

Required documentation for foreign businesses remains relatively onerous and effectively separates business activity into foreign and domestic categories. The United States has urged Laos to move from a business licensing to a business registration system, chiefly through repeal of the Industrial Processes Law. This law, which requires manufacturers to apply for permission to make even minor changes to their methods of production, lacks clear implementing regulations. Laos still requires a feasibility study for investment by foreign businesses, a requirement better suited to development projects.

The required annual renewal of a Lao business license is contingent upon certification that all taxes have been paid. Foreign investors have complained that taxes are often assessed in an inconsistent and nontransparent manner. Lao officials acknowledge ambiguities in the law. The tax code was streamlined and simplified in January 1999, and again in 2003, but some investors still report significant difficulties in obtaining tax certifications and clearances in a timely manner. U.S. companies have been denied necessary local business licenses despite possessing valid national long term investment permits. The United States continues to urge the Lao government to resolve this issue.

## **OTHER BARRIERS**

*Corruption:* Both giving and accepting bribes are criminal acts in Laos, punishable by fine and/or imprisonment. The Prime Minister's Office issued an anti-corruption decree in November 1999, and at least one official has been arrested for corruption since that time, but implementation remains weak. The Counter-Corruption Committee in the Prime Minister's Office is the Lao government agency responsible for combating corruption. Nonetheless, corruption in Laos continues to be a serious concern. Bribes to low level officials to expedite time-sensitive applications, such as for business licenses or importation of perishable items, are known to occur. There is concern that the problem is growing as a result of increased investment in extractive industries.