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**LAO PDR's EXPERIENCES IN PARTICIPATING IN
THE REGIONAL TRADE AGREEMENTS (RTAS)**

Country presentation: LAO PDR

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Lao PDR's experiences in participating in the regional trade agreements (RTAs)

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Outline of the Presentation

- I. Basic information about Lao PDR and its economy
 - II. Lao PDR's trade strategy
 - III. Approaches to liberalizing services trade
 - IV. Lao PDR's Approach
 - V. South-South cooperation in developing infrastructure services
 - VI. Conclusions
-



I. Basic information about Lao PDR and its economy

- ❑ Population (2012): 6.5 million people
- ❑ Population growth rate (2010): 2.1%
- ❑ Surface area: 236.800 square km, and sharing a common border with China, Vietnam, Cambodia, Thailand and Myanmar
- ❑ GDP growth rate (2013) : 8.1%
- ❑ GDP - per capita (2013). : 1.587 USD. The goal is to attain a gross domestic product (GDP) growth rate of at least 8% annually in order to reach GDP per capita level of at least USD 1. 700 by 2015.

Source: Department of Statistic, Ministry of Planning and Investment, IMF and WB



I. Basic information about Lao PDR and its economy (cont)

- GDP - composition by sector:
 - **agriculture: 26%**
 - **industry: 34%**
 - **services: 40% (2012)**
- The services sector is driving the impressive growth rates and contributes largely to social development (education and health) and poverty reduction, creating many new jobs, making merchandise exports more competitive, and promoting structural change of national economies.
- Poverty reduction: The poverty headcount dropped from 46% in 1992-93 to 28% in 2007-08 and is expected to achieve the related MDG target of 25% by 2015.

Source: Department of Statistic, Ministry of Planning and Investment, IMF and WB



I. Basic information about Lao PDR and its economy (cont)

□ Labor force: 3.69 million (2010)

□ Labor force - by occupation:

- **agriculture:** 75.1%
- **industry:** 5.5%
- **Services:** 19.5%

Source: Department of Statistic, Ministry of Planning and Investment



I. Basic information about Lao PDR and its economy (cont)

□ MERCHANDISE TRADE

-Merchandise *exports*, FOB
value: \$ 2 269 million (2012)

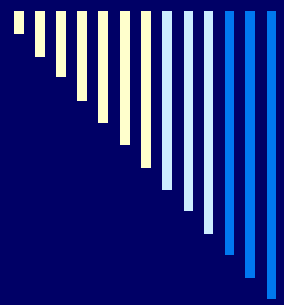
-Merchandise *imports*, CIF
value: \$ 2 467 million (2012)

Source: WTO



I. Basic information about Lao PDR and its economy (cont)

- Main Exports - commodities: coffee, mining products, tin, copper, gold, cassava **wood and wood products, garments and agricultural products**
- Main Exports – partners: Thailand, China, EU and Vietnam



I. Basic information about Lao PDR and its economy (Cont)

- Main Imports – commodities: machinery and equipment, vehicles, fuel, consumer goods
- Imports – partners: Thailand, China, Vietnam, Japan and South Korea.



I. Basic information about Lao PDR and its economy (cont)

□ COMMERCIAL SERVICES TRADE

- Commercial services *exports*:
\$ 526 million (2011)
- Commercial services *imports*:
\$ 325 million (2011)

Source: WTO



I. Basic information about Lao PDR and its economy (cont)

- Main export services:
 - Communication services (e.g. postal, courier and telecommunication services)
 - Financial services (insurance and banking)
 - Tourism and travel related services
 - Recreational, cultural and sporting services
 - Transport services



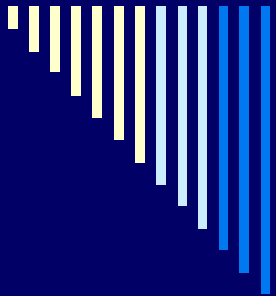
I. Basic information about Lao PDR and its economy (cont)

- Main import services:
 - Health care services
 - Construction services
 - Education services



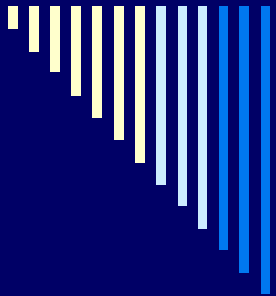
II. Lao PDR's trade strategy

- Lao PDR follows a multi-layer of trade strategy: multilateral, regional and bilateral levels. The WTO is preferable: It recognizes the principles of S&D treatment. In this way, LDCs are better able to negotiate on the basis of non-reciprocity and for non-reciprocal outcomes, in which they are not obliged to open up their markets to the same degree as developed countries.



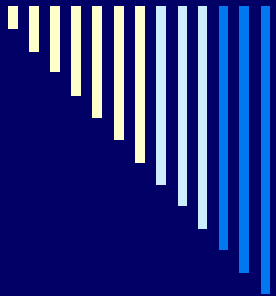
II. Lao PDR's trade strategy (cont)

- As a new member of the WTO, Lao PDR will participate actively and constructively in the multilateral negotiations, and try to make benefits from the WTO provisions on exceptions for LDCs as well as to focus on those areas of particular interest to her such as trade facilitation and trade in services which can provide a permanent solution to her development goal in the long term.



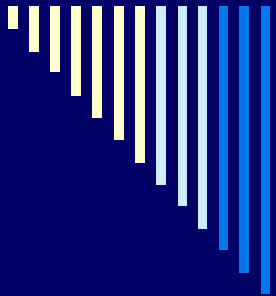
II. Lao PDR's trade strategy (cont)

- To supplement its efforts in the multilateral trade negotiations, Lao PDR participated actively and constructively in the bilateral and regional trade negotiations. Her regional trade strategy begins with her nearest neighbors and most important trading partners.



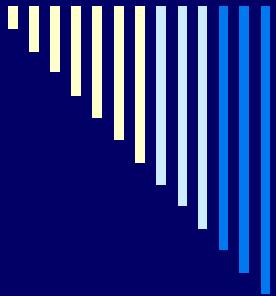
II. Lao PDR's trade strategy (cont)

- The ASEAN FTA is Lao PDR's first comprehensive regional trade agreement. Its objective is to use this FTA as a platform to broaden and deepen its economic integration with ASEAN and the world.



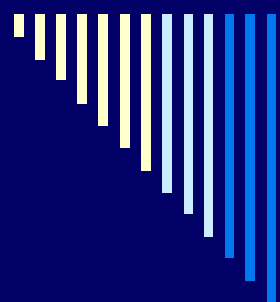
II. Lao PDR's trade strategy (cont)

- The next step in Lao PDR's FTA strategy was her most important dialogue partners. Being a part of ASEAN, Lao PDR has jointly signed FTA with China, India, Japan, Korea, Australia and New Zealand.
- The level of liberalizing trade in services varies considerably between these FTAs. The ASEAN-Australia and New Zealand Free Trade Agreement (AANZFTA) offered much broader coverage of services.



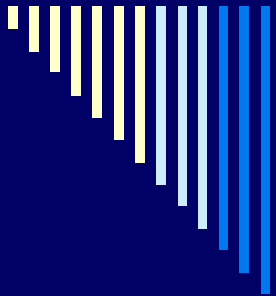
II. Lao PDR's trade strategy (cont)

- The AANZFTA is the first comprehensive FTA concluded by ASEAN as a “single undertaking”. It covers all sectors:
 - trade in goods;
 - investment;
 - trade in services;



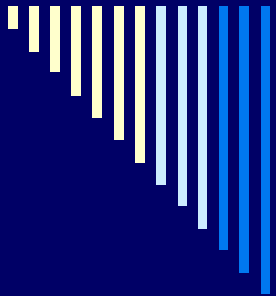
II. Lao PDR's trade strategy (cont)

- financial services;
- telecommunications;
- electronic commerce;
- movement of natural persons;
- intellectual property;
- competition policy; and
- economic cooperation.



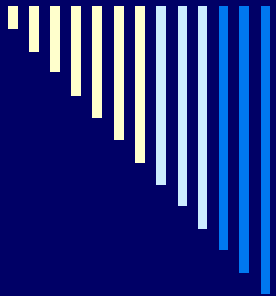
II. Lao PDR's trade strategy (cont)

- Lao PDR signed the Bilateral Trade Agreement with the US in September 2003. The agreement became effective in February 2005. It is the most liberal BTA which goes beyond the commitments made by Lao PDR in the WTO and ASEAN FTA+1 (the list of subjects includes services liberalization, protection of investment and IPRs, etc.)



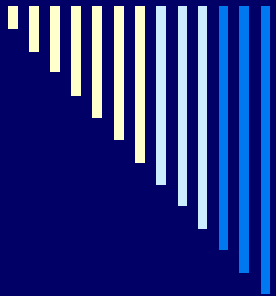
II. Lao PDR's trade strategy (cont)

- ASEAN and Lao PDR as a bloc are now undertaking the negotiation with China, India, Japan, South Korea, Australia and New Zealand to create a 16-party Regional Comprehensive Economic Partnership (RCEP)
- The vision for RCEP is ambitious to make it a high quality, comprehensive building block for a Free Trade Area of East Asia



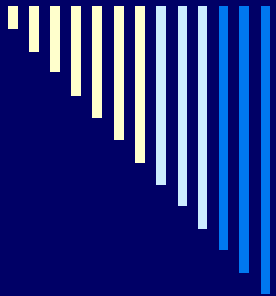
II. Lao PDR's trade strategy (cont)

- RCEP is expected to be concluded in 2015. Its Guiding Principles recognizes the development gap of the participating countries and agrees to grant additional flexibility for least-developed countries through S&D provisions which would help strengthen their trade and development objectives.



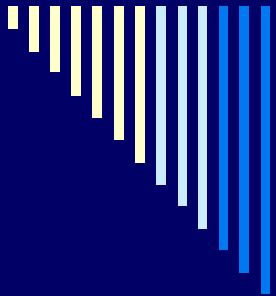
II. Lao PDR's trade strategy (cont)

- Lao PDR, Cambodia and Myanmar have submitted a joint proposal on the substance of the S & D with regard to liberalizing services trade as stipulated in RCEP Guiding Principles. This proposal covers the following points:
 1. Service trade liberalization must ensure the balance/linkage between market access and sustainable development;



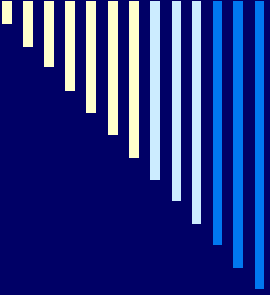
II. Lao PDR's trade strategy (cont)

- Additional flexibility should be given for the least-developed ASEAN Members States for opening fewer sectors, liberalizing fewer types of transactions, and progressively extending market access in line with their development situation (Article IV and XIX of GATS)



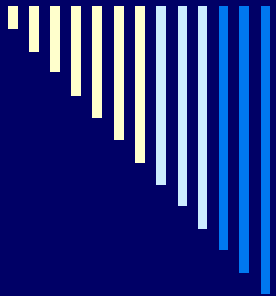
II. Lao PDR's trade strategy (cont)

- The developed and developing countries will facilitate effective access of least-developed countries' services and service suppliers to their markets through developing appropriate mechanisms with a view to achieving full implementation of Article IV: 3 of the GATS



II. Lao PDR's trade strategy (cont)

- The increasing participation of least-developed ASEAN Member States in regional/global trade shall be facilitated through:
 - the strengthening of their domestic services capacity and its efficiency and competitiveness, as well as through access to technology on a commercial basis;
 - the improvement of their access to distribution channels and information networks; and



II. Lao PDR's trade strategy (cont)

- the liberalization of market access in sectors and modes of supply of export interest to the LDCs.
- The participating countries should consider undertaking commitments to provide access in mode 4 for LDCs and taking into account all categories of natural persons.



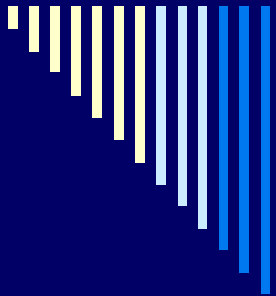
III. Approaches to liberalizing services

- ❖ There are two main approaches taken by countries in scheduling liberalization commitments:
 - ✓ the GATS-typed positive-list approach and
 - ✓ the NAFTA-type negative list approach



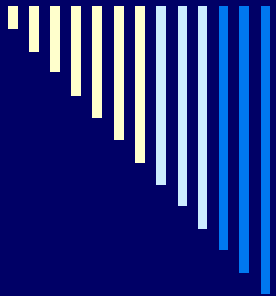
III. Approaches to liberalizing services (cont)

- In the GATS-typed positive-list approach a country commits only what it puts on the schedule. In the NAFTA-type negative list approach all sectors and non-conforming measures that are not specified in the list of reservations and negative list have to be liberalized.



III. Approaches to liberalizing services (cont)

- The main advantage of the positive list approach is that it provides for the developing countries to have greater flexibility to implement their policies. It is less risky than the negative list approach.



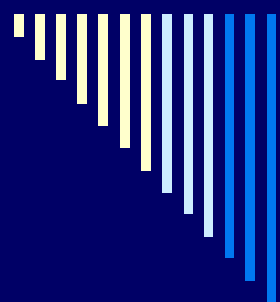
III. Approaches to liberalizing services (cont)

- The developed countries prefer the negative list approach because they can take deeper commitments.
- Given that this approach has a low level of policy flexibility, the more development-friendly positive list approach of the WTO was chosen by many developing countries to make their liberalization commitments.



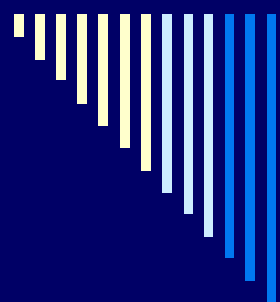
IV. Lao PDR's Approach

- ❖ Lao PDR followed a positive list approach in all her FTAs, in accordance with the GATS. Her services trade chapter in bilateral and regional Free Trade Agreements has provided a comprehensive sectoral and modal coverage of services trade. For example, the Laos- US BTA and the ASEAN Framework Agreement on Services (AFAS) has a positive list approach.



IV. Lao PDR's Approach (Cont)

- For the 8th package of commitments under AFAS Lao PDR has offered 10 sectors and 89 sub-sectors. For the 9th and 10th package of commitments Lao PDR will add more 39 sub-sectors out of 160 total service sub-sectors. The 10 sectors are:
 1. Business services
 2. Communication services



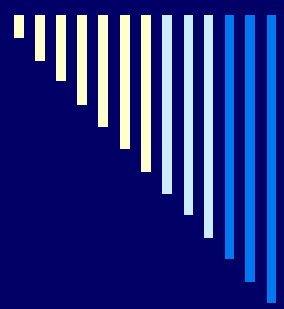
IV. Lao PDR's Approach (Cont)

3. Construction and related engineering services
4. Distribution services
5. Private education services
6. Environmental services
7. Health and related social services
8. Tourism and travel related services
9. Transport services
10. Other services



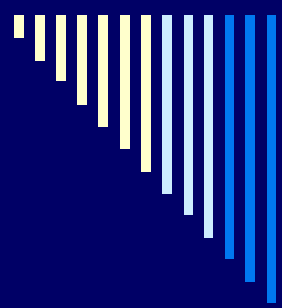
V. South-South cooperation in developing infrastructure services

- Increasing role of China and India in regional/global trade, finance and investment coupled with their rapid economic growth suggest that the cooperation between ASEAN and these countries will be expanded and enhanced, and will strengthen the regional integration process.



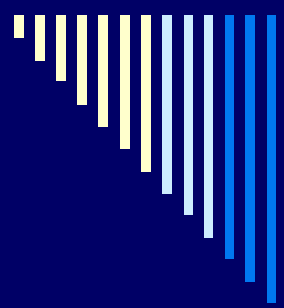
V. South-South cooperation in developing infrastructure services (cont)

- ASEAN, China and India have shared healthy economic ties for a long time. To further enhance the ties, ASEAN has undertaken several policy initiatives. For example, the Singapore-Kunming Rail Link, the Greater Mekong Sub-region development program, etc.



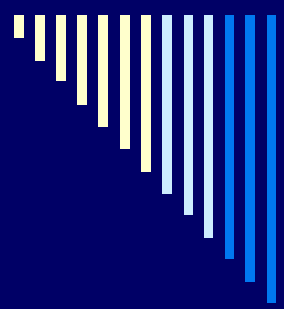
V. South-South cooperation in developing infrastructure services (cont)

- The Singapore-Kunming Rail Link was proposed in 1995 and expected to be completed by 2015. It will link ASEAN to China and bring huge economic benefits for the region.
- The Greater Mekong Sub-region composing of six riparian countries, namely: Lao PDR, Cambodia, Thailand, Myanmar, Vietnam and China.



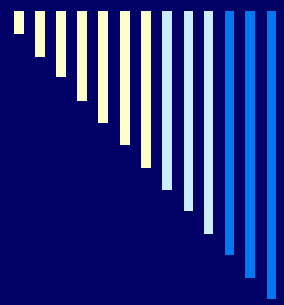
V. South-South cooperation in developing infrastructure services (cont)

- ❖ The Greater Mekong Sub-region development program had established two Economic Corridors:
 - The North-South Economic Corridor links Kunming, Yunnan Province of China to Bangkok of Thailand, passing through the northern part of Lao PDR.



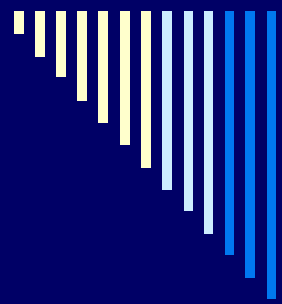
V. South-South cooperation in developing infrastructure services (cont)

- The East-West Economic Corridor links the seaport of Danang in central part of Vietnam to Thailand and up to Mawlamine, a seaport of Myanmar in the Andaman Sea, passing through the central part of Lao PDR.



V. South-South cooperation in developing infrastructure services (cont)

- ❖ The two Economic Corridors played an important role in the development of transportation, distribution and financial services in the Great Mekong Sub-region.
- ❖ Lao PDR, Cambodia, Thailand, Vietnam, Myanmar and China are big beneficiaries of this development program.



V. South-South cooperation in developing infrastructure services (cont)

- ❖ The Greater Mekong Sub-region development program assisted by development partners is regarded as a good example of South-South cooperation in the development of infrastructure services.



VI. Conclusions

- ❑ High level of service liberalization can be achieved through both the GATS-typed positive list approach and the NAFTA-typed negative list Approach.
- ❑ A participating country should have the freedom to choose either the positive or the negative list approach to make liberalization commitments in line with its capacity.
- ❑ A fair liberalization in services will bring a Win-Win to all.



Thank You