



The experience of Laos on WTO Accession negotiations

Dr. Buavanh Vilavong

Director General, Department of Industry and Handicraft

Ministry of Industry and Commerce, Laos

*“Laos has come a long way ... never easy for any [LDC], and Laos’ first steps were slow. ... **seriously reforming** its economy and its institutions, ...has shown skill in its membership negotiations”.*

Pascal Lamy, former WTO DG

*“...the accession process is not limited to changing some laws...way of doing business...**a mind change is a difficult and time-consuming** exercise. Given the progress...institutionally, legally and in our mindset, **15 years** actually...a very **short time**”*

Dr Thongloun Sisoulith, Prime Minister
(then DPM & Minister for Foreign Affairs)

Outline

- Background on Laos' accession
- Commitments made by Laos
- Lessons learned
- Final words

Background

- Laos became the **158th member** of the WTO in 2013
 - ended a 15-year long process of negotiations
 - making ASEAN complete in the multilateral trading system
- Chief motivation is not to secure more market access as Laos already has duty-free access to most developed and developing countries
 - *But **WTO = lock in domestic reforms**, making economic integration a driver of growth and development*
 - *Membership also gives Laos a seat at negotiating table and access to the dispute settlement of the WTO*

- No negotiating leverage given ‘*terms to be agreed*’ under Art. 12
- Tremendous challenges: *limited institutional capacity while accession process is complex and lengthy*
- A particular challenge pertaining to bilateral negotiations: *one-on-one negotiations, many members have different interests*

Laos made use of **LDC status**, **defended its interests** with developmental arguments, and benefitted from tailor-made **technical assistance**

Early stage is more of a learning mode

- **Applied** for WTO membership in 1997
- Laos took 4 years to complete a memorandum on foreign trade regime
- **First WP** meeting held in October 2004
- **Bilateral negotiations began** in late 2006

First few years as a preparatory stage: *capacity building and awareness raising to build public consensus to support accession process*

Political will critical for accession finalization

- Accession process accelerated late 2011
 - 3 WP meetings held in 2012 compared to once a year earlier
 - Accession Package adopted in the 12th WP
 - General Council approval in Oct 2012
 - Laos became a full member on 3 Feb 2013 after completing the ratification
-
- **A political will** is critical to move forward accession process
 - Final years of negotiations require progress in several areas
bilateral negotiations but also legislative reforms

Bilateral negotiations

- Bilateral negotiations commenced after the submission of the initial offer on goods in 2006, and on services in 2007
- No. of bilateral negotiating partners varies considerably from one accession to another

Key elements for bilateral negotiations

- Policy objectives
- Domestic sensitivity
 - political
 - economic
 - social
- Bilateral requests and negotiating leverage
 - Bottom line and '*game plan*' for each revision of offers

How Laos had worked?

- Consolidated requests from different negotiating partners to assess their shared interests
- Identified what are each member's **core interests**?
- Domestic consultations: *line ministries, think tank, and businesses*
- Case studies to better understand some sectors
e.g. rice, cement, automobiles
- Analyzed how WTO requests relate to existing FTAs
- Identified **alternative measures** if tariffs were to be low / bound at applied rates (*e.g. importing licensing, SSGs*)

Commitments made by Laos

Commitments cover two areas: rules-making and market access.

- Working Party Report (WPR) contains descriptions of Laos' foreign trade regime and wide-ranging commitments on laws and measures to be brought into compliance with WTO rules.
- The WPR consists 247 paragraphs, of which 26 are commitment texts.
- Most commitments are to be implemented upon accession while some during transition periods

Bilateral negotiations

- Laos engaged in market access negotiations on trade in goods and services with 9 members: Australia, Canada, China, Chinese Taipei, the European Union, Japan, the Republic of Korea, Ukraine and the United States of America.
- Other members used to take part in bilateral negotiations with Lao PDR but they later did not put forward or withdraw requests, including Dominican Republic, Honduras, India and Switzerland.

Timeline of bilateral conclusions

- China
- Japan

(2010)

- South Korea
- Canada
- Australia
- EU
- Chinese Taipei

(2011)

- US
- Ukraine

(2012)

Commitments on trade in goods

- Almost all tariff lines are bound higher than the applied rates
(around 10% bound at /below applied rates due to links with bilateral trade agreements)

	All	Agriculture	Non-agriculture
Bound rate	18.8%	19.3%	18.7%
Applied rate	10.0%	20.1%	8.3%

- Most commitments take effect from accession date, while some products get transition periods up 5-10 years
- *63 agricultural products were granted special safeguards*

Commitments on trade in services

- Lao PDR opens 10 service sectors/79 subsectors (of a total 160 subsectors).
- These include professional, computer, research and development, telecoms, construction, distribution, private education, environmental, financial, private health, tourism, and air transport.
- However, more than 80 subsectors are not liberalized including professional services (doctors, nurses, veterinarians), postal services, tourism services (tour guides), audio-visual services, transport (road, train, water ways, maritime, pipeline), other financial services (related to securities), and recreational services.

Lessons learned

- WP chair plays a crucial role
- Be **systematic and consistent** with negotiating approach
 - Where to give or to reserve, and when?
 - Defend sensitive areas with reasonable justifications
- Seek external support and capitalize on a window of opportunities
 - Laos was to host Asia-Europe Summit (ASEM) in Nov 2012
 - Guidelines on LDC Accessions

Lessons learned

- Communicating through various channels
 - *technical and informal meetings in Geneva, Ministerial Conferences etc*
 - *high-level visits*
 - *direct contacts with embassies / capitals of negotiating members*
 - *email exchanges*
- Negotiations in Laos and capitals of negotiating members
e.g. US, EU, Ukraine, Chinese Taipei
- Good relationships with the persons handling the negotiations

Importance of technical assistance

Laos benefitted substantially in capacity building supported by various donors

- WTO, ACWL, WIPO, ITC, World Bank etc
- Ideas Centre and UNCTAD as 'trust' advisors
- Support from members

multilateral trust fund and bilateral projects

Final words

- ❑ Negotiations in goods are less difficult than in other areas
- ❑ Progress should be coordinated between legislative reforms and bilateral negotiations
- ❑ Plan what to give, to whom, and when?
- ❑ A rare window of opportunities to strike deals

WTO membership is only the beginning!