



Asia-Pacific Trade Briefs

Lao People's Democratic Republic

Merchandise trade: Merchandise trade accounted for 82.2% of the Lao People's Democratic Republic total trade. Merchandise exports grew by 7.6%, on average, during 2010-2015, which was slightly higher than the Asia-Pacific average export growth of 7.5%. However, in 2015, merchandise exports contracted sharply by 12.1%. The range of export products is mostly concentrated in the mining and hydropower sectors, especially electrical energy, and raw and refined copper. Agricultural products, especially wood and coffee, are also important export products. Recent major incidents of severe flooding and landslides (which had adverse effects on agricultural export earnings), falling global gold and copper prices, plus the economic slowdown in Thailand – a major export market for the country, especially for hydroelectricity – largely contributed to the export contraction in 2015. Merchandise imports also dropped substantially by 9.6%. As petroleum oils are the main imported product, the contraction reflected lower fuel prices coupled with the recent completion of the Hongsa Lignite Power Plant (with investment from China), as well as reduced imports of capital goods from China.

Services trade: The services trade share of total trade in 2015 reached 17.8%, up from 15% in 2014, but it still remained below the South-East Asia subregional average of 21.2%. Services exports grew by 10.1%, on average, during 2010-2015, which was higher than the Asia-Pacific average of 6.4%. Meanwhile, services exports in 2015 grew by 5.9% in contrast to the 4.8% decline in service exports across the Asia-Pacific region overall. The services sector has, in recent years, been promoted by special economic zones that have mainly focused on the services sector, especially trade and tourism-related services. Services exports growth in 2015 was largely due to increased foreign tourist arrivals. Services imports in 2015 increased substantially by 15.7% compared with a 5.2% contraction in the Asia-Pacific region overall; this increase was due to growth in the import demand for transport and travel services.

Intraregional trade: In 2015, 89.7% of total exports and 97.2% of total imports were within the ESCAP region. China and Thailand are the country's most important trading partners. Trade with Thailand accounted for 42.9% and 71.4% of total exports and imports, respectively, while China accounted for 38.6% and 20.8% of exports and imports, respectively.

Foreign direct investment (FDI): The Lao People's Democratic Republic is a net recipient of FDI. Since 2013, the country has experienced exponential growth in FDI inflows. The trend continued in 2015 with a growth rate of 69.2%, which was significantly higher than the Asia-Pacific region's growth rate of 5.6%. China, Thailand and Viet Nam are the largest foreign investors. FDI inflows largely went to the hydroelectric sector, while the mining, transportation, tourism and agriculture sectors also experienced rising inflows.

Tariffs: The Lao People's Democratic Republic acceded to the WTO in 2013 with a binding coverage at 100.0% of its tariff lines and average MFN bound duty at 18.7%. The MFN applied rate is 10%, which is higher than the regional average of 6.9%. However, as most of the country's trade is with Thailand – from which the Lao People's Democratic Republic has received preferential tariffs under the Association of South-East Asian Nations trade agreements, the effectively applied rate has declined to 4.8%, lower than that of the Asia-Pacific region's average of 5.9%.

Trade costs: Intraregional trade costs in the Lao People's Democratic Republic remained high compared with the most efficient major traders in Asia and the Pacific, but a substantial declining trend was recorded during 2009-2013. In 2013, trade costs incurred by the Lao People's Democratic Republic were almost three times higher than those for East Asia-3, and around 73.3% higher than those for the European Union-3 in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation).

Trade agreement: The Lao People's Democratic Republic has eight preferential trade agreements (PTAs) in force, slightly higher than the Asia-Pacific average of 7.6 agreements. Of total exports, 88.1% were to PTA partners, compared with 33.3% for the Asia-Pacific region. Of total imports, 95.2% were from PTA partners, compared with 44% for the Asia-Pacific region.

Figure 1. Key trade and investment indicators

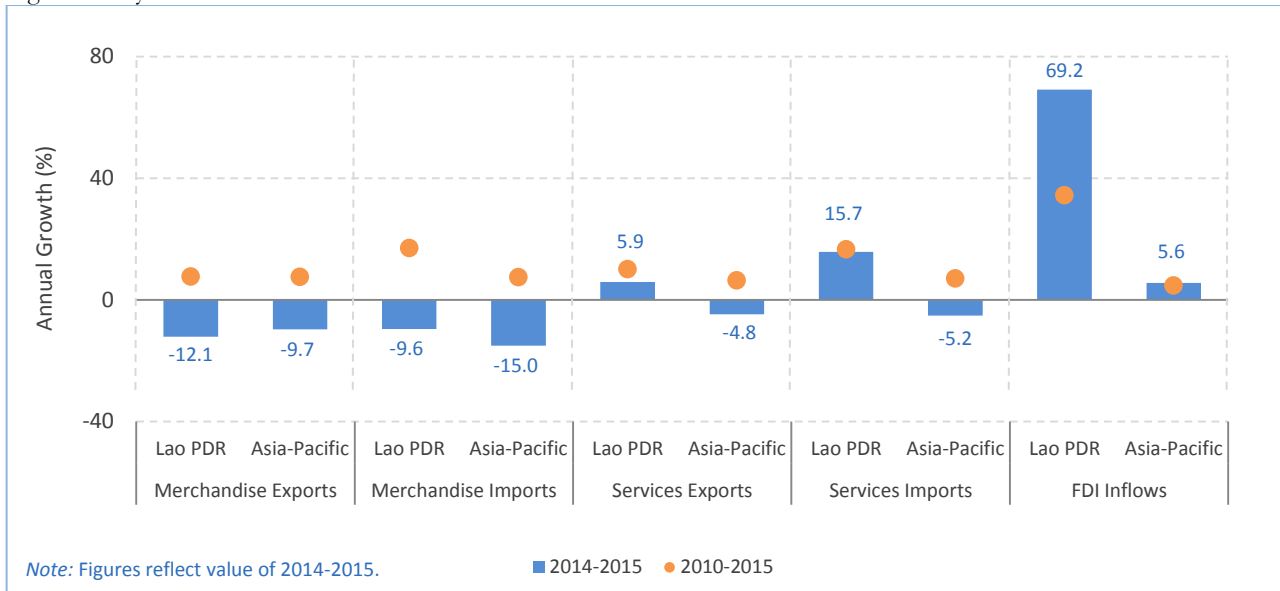


Figure 2. Top merchandise markets

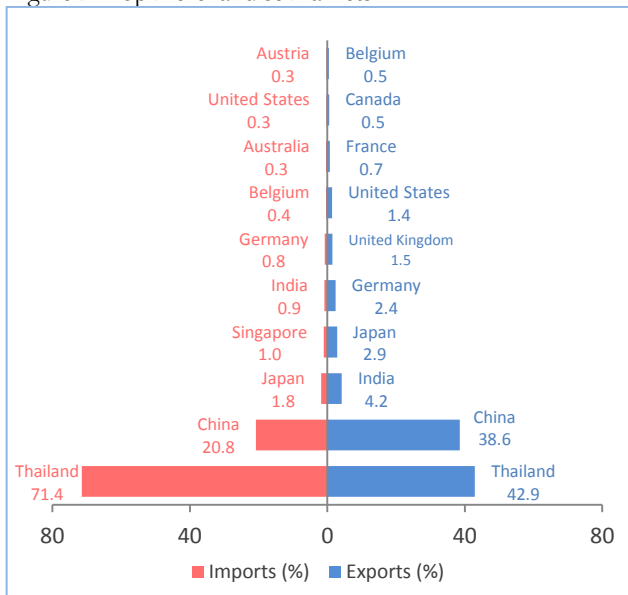


Figure 3. Top merchandise products

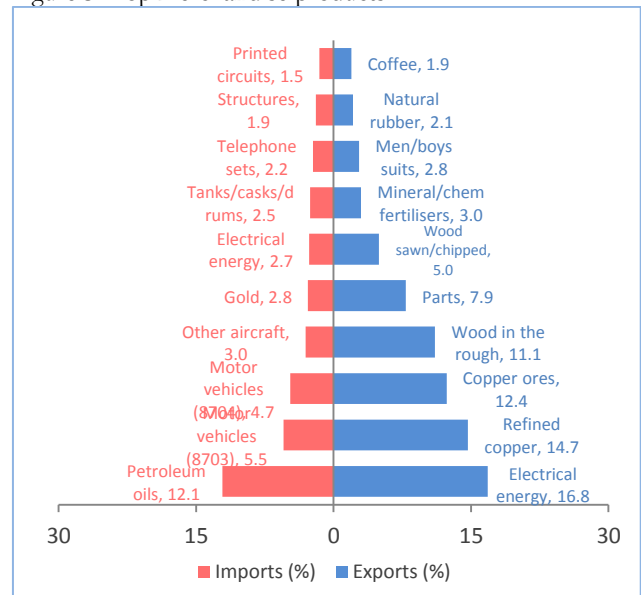


Figure 4. Trade within the region and rest of the world

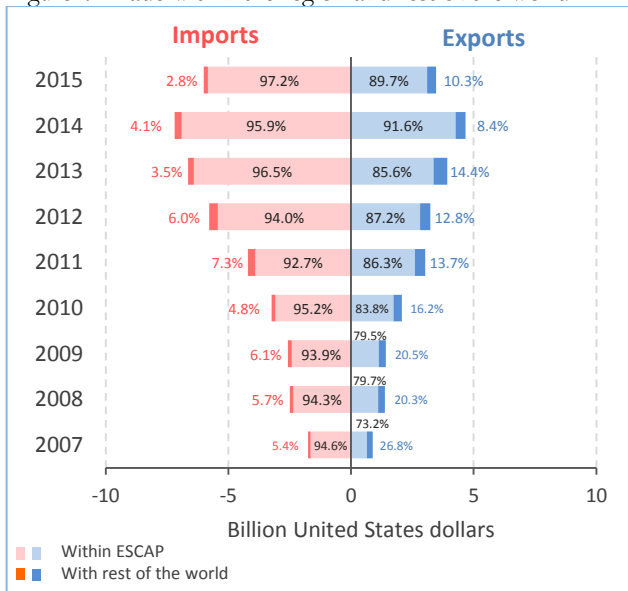


Figure 5. Foreign direct investment

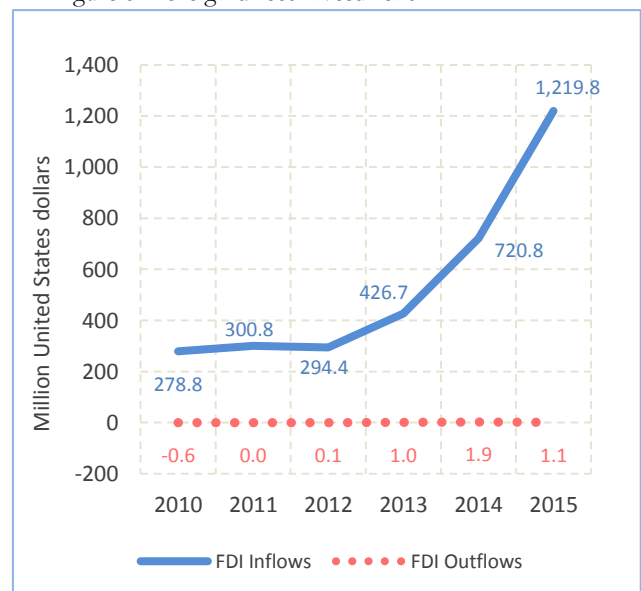


Figure 6. Tariffs (as of 2014)

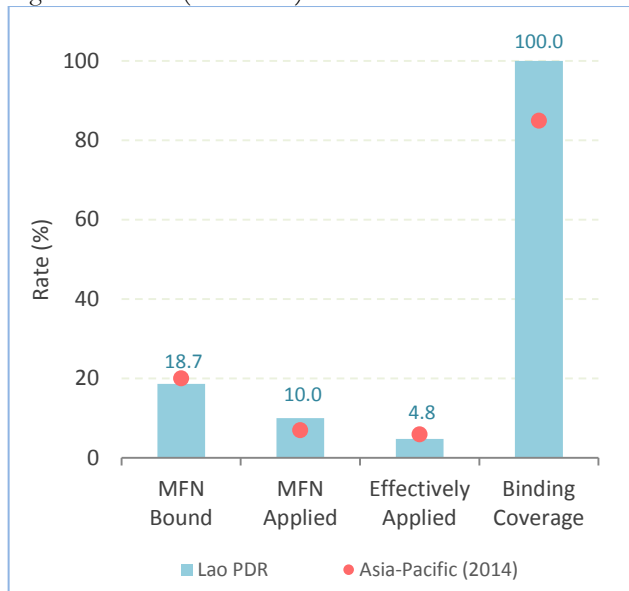
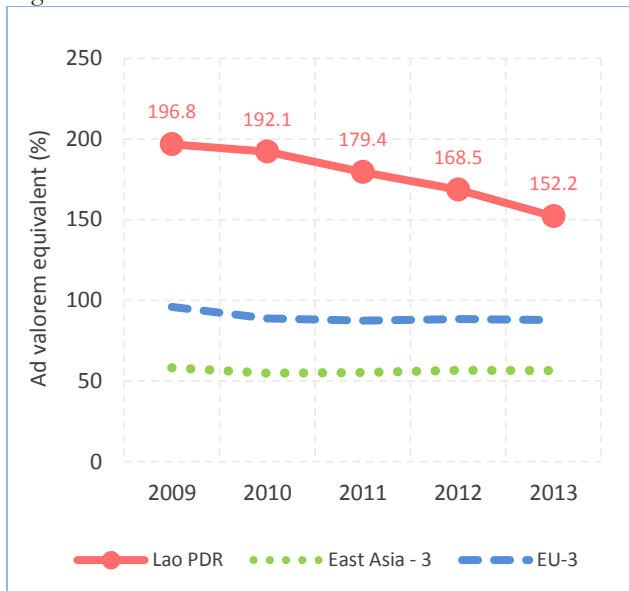


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Note: Data are based only on countries for which they are available. Merchandise trade data follow the HS2007 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries with the four developing economies (China, India, Indonesia and Russian Federation). Trade costs for East Asia-3 comprises China, Japan and the Republic of Korea; trade costs for European Union-3 comprises Germany, France and the United Kingdom.

Definitions: MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines. For more details see escap-tiid@un.org.