



Asia-Pacific Trade Briefs

Lao People's Democratic Republic

Merchandise trade: Lao PDR's exports grew rapidly, by 17.1% in 2014, from an already strong performance of 11.0% over the period 2010-2014. Lao PDR's exports consist mainly of primary products, with wood and copper capturing the largest shares, of 20.6% and 15.7% respectively. Its mountainous terrain and abundant water resources allow for the production of large amounts of hydro-electric energy, which accounts for 14.9% of its exports and is the third largest export product. Lao PDR principally trades with neighbouring countries, with Thailand and China accounting for a combined 83.1% of its exports and 86.5% of its imports. Like many other small states, Lao PDR's main import is petroleum, but it also imports high-tech products such as motor vehicles and electronic equipment.

Global value chains (GVCs): The participation of Lao PDR in GVCs is mainly as a supplier of raw materials. The share of intermediate goods in total exports is substantially higher in Lao PDR (42%) than the Asia-Pacific regional total (18%), but these are dominated by primary intermediates especially copper, copper products, and hydro-electric energy. In contrast, the share of intermediate imports is much lower in Lao PDR (17%) than the Asia-Pacific total (22%) which indicates that country does not yet participate significantly in the processing stage of production.

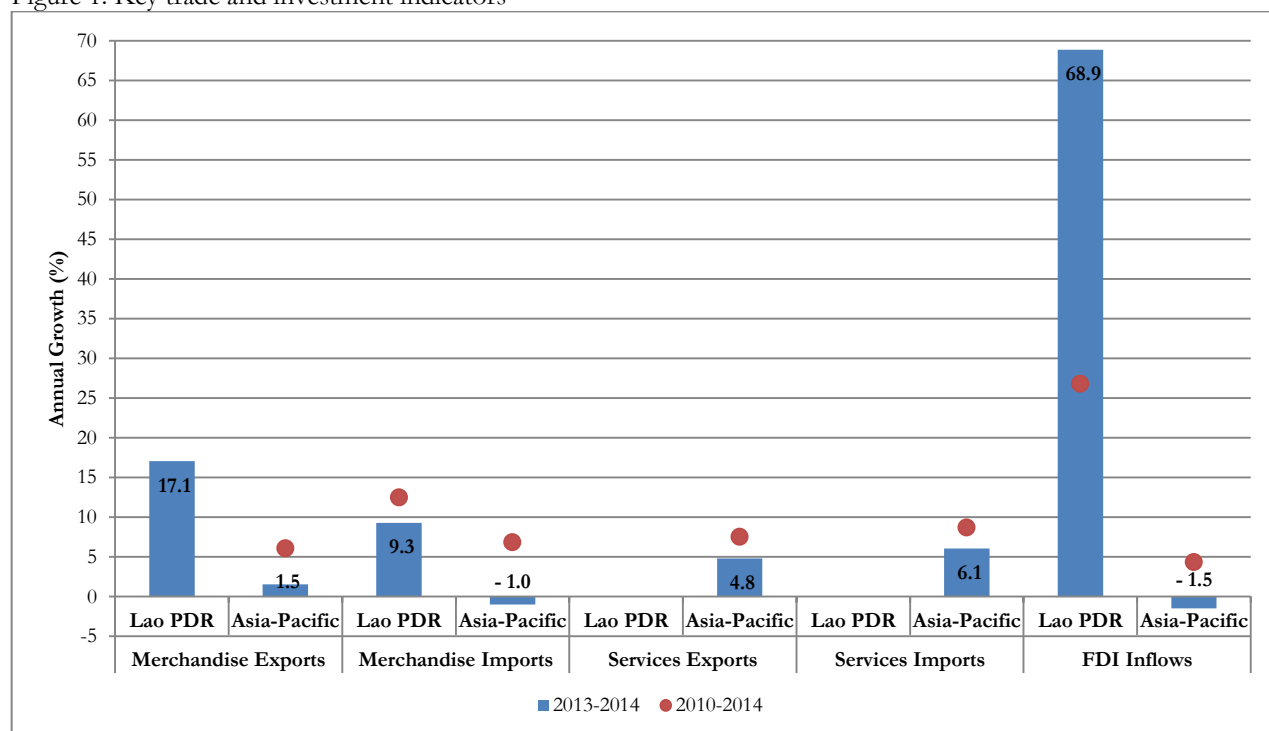
Foreign direct investment (FDI): Lao PDR's FDI inflows grew phenomenally, by 68.9% in 2014 – from an already rapid pace of growth, averaging 26.8% a year between 2010-2014. This is largely due to greater investment – particularly by China – in hydroelectric power generation along the Mekong and Irrawady river basins. Lao PDR has been successful in attracting regional investors – mainly from China, Thailand and Malaysia – in promoting the hydro-electric industry. Nevertheless, there are important remaining barriers to FDI in terms of lengthy approval procedures, poor infrastructure, and a generally weak business environment.

Tariffs: Average MFN applied and effective tariffs at 9.5% and 9.3% are slightly higher than Asia-Pacific averages of 7.4% and 7.4%.

Trade costs: Intraregional trade costs in Lao PDR have fallen sharply since 2009. It is costlier for Asia-Pacific economies to trade with Lao PDR than with East Asia-3 (China, Japan and Republic of Korea) – the intraregional benchmark – and with EU-3 (France, Germany and United Kingdom) – the extraregional benchmark.

Trade Agreements: Lao PDR has 8 trade agreements in force, which is higher than the Asia-Pacific average of 7 agreements. Because trade is highly concentrated with few countries in the region and they are also PTA partners, the trade coverage of Lao PDR's PTAs is very high: Eight six per cent of total exports are to PTA partners, compared to 35% for the Asia-Pacific overall. Ninety four per cent of total imports are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



*Country notes summarising results of the UNRC Survey 2015 are available at: <http://unnex.unescap.org/UNTFSurvey2015.asp>

Figure 2. Top merchandise markets

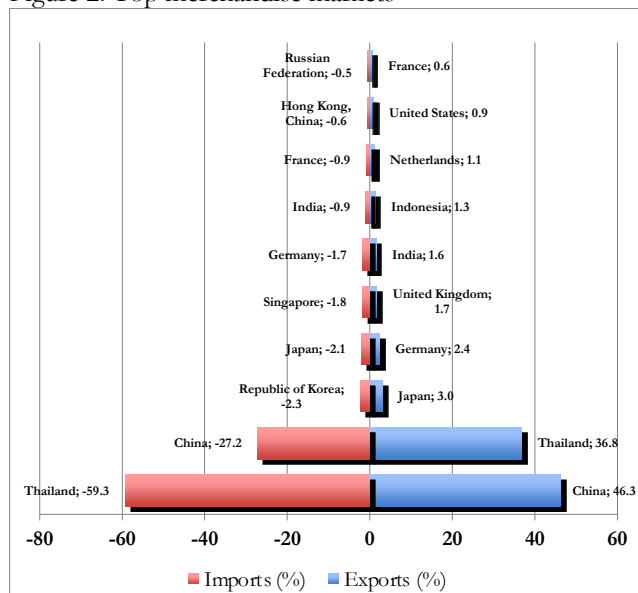


Figure 3. Top merchandise products

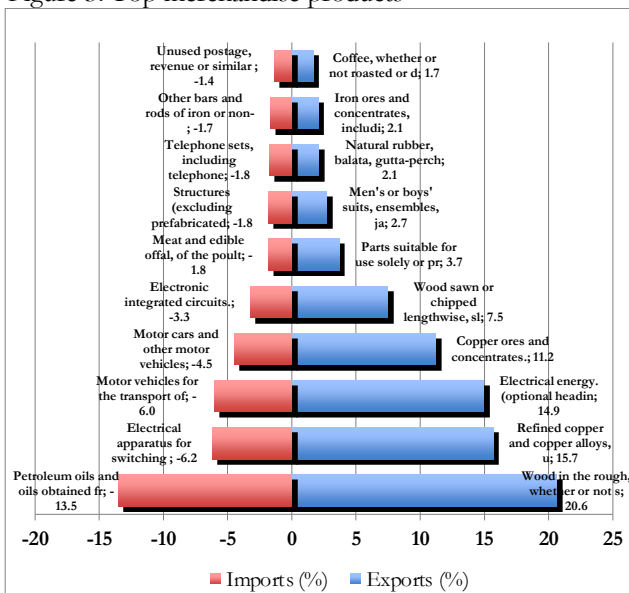


Figure 4. Trade in goods by their use

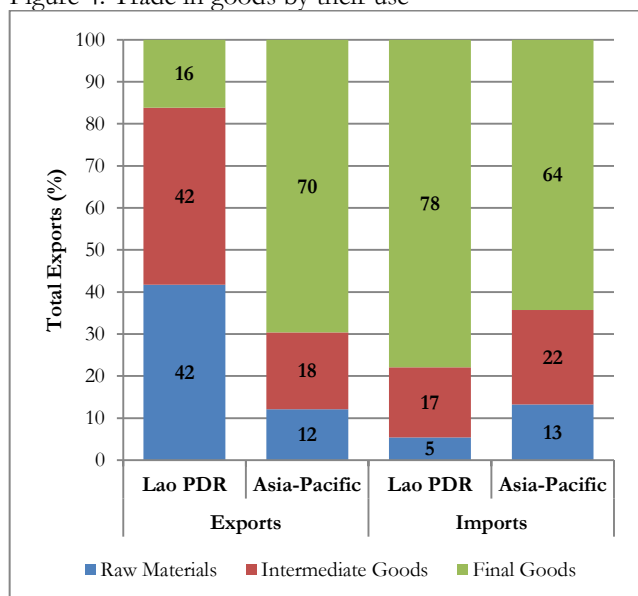


Figure 5. Foreign direct investment

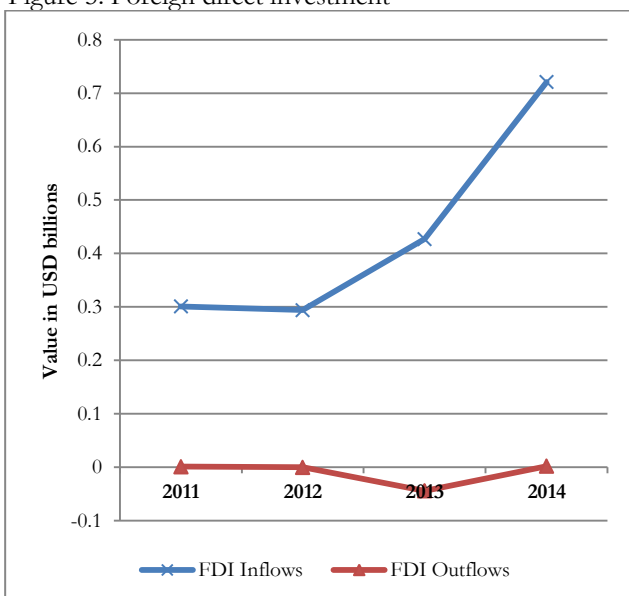


Figure 6. Tariffs

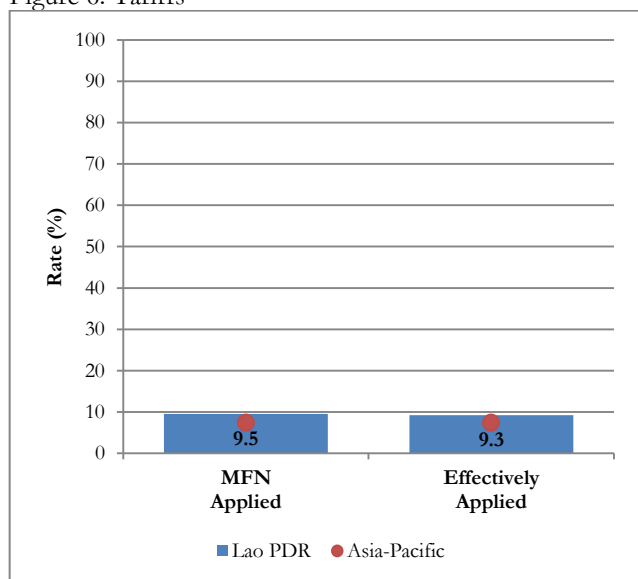
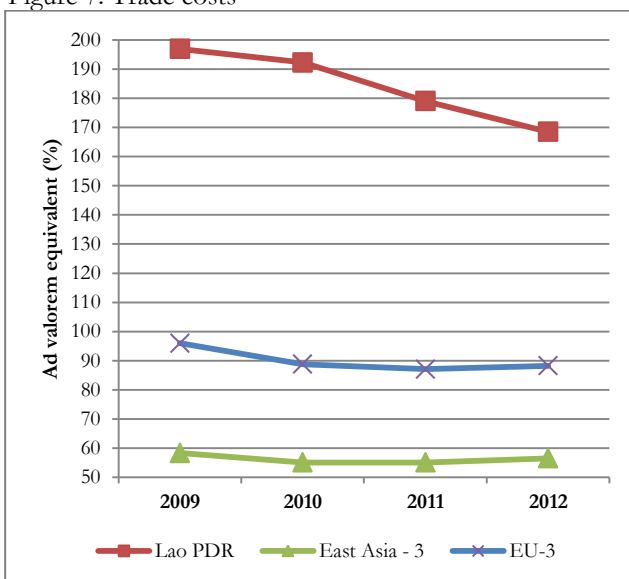


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.

Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.

Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.

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