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**Delivered at the Regional workshop on promoting intraregional trade, investment and connectivity through bankable Aid for Trade projects – Addressing development needs with effective Aid for Trade projects**

**Held in Kathmandu, Nepal**

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Honorable Guests, Distinguished Ladies and Gentlemen,

It is my honor to address this regional workshop in my capacity as representative of AfT recipient country.

I want to start by thanking the organizers of the event for the invitation and host country for a warm welcome we received since our arrival in Kathmandu.

Today, I would like to take this opportunity to briefly discuss how my country is coping with the key challenges associated with high logistics and trade facilitation costs, partly due to a landlocked supply chain and how we are leveraging Aid for Trade to improve our competitiveness through improving trade facilitation and enhancing regional and international economic integration.

Lao PDR's economy has been growing rapidly in the past decade, largely driven by high investment in natural resource sectors, namely hydro electric power and minerals, and closer regional economic integration. Real GDP grew at average of 7.8 percent during 2005-2012 and is expected to maintain similar rate in medium term. In the seven years since 2005, Lao PDR's trade with the rest of the world has grown substantially. The value of both exports and imports have each more than tripled.

Lao PDR continues to integrate more closely into the rapidly growing regional economy through implementation of commitments within the Association of Southeast Asian Nations (ASEAN), active participation in regional economic cooperation programs such as Greater Mekong Subregion, The Ayeyawady - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS), and other regional and subregional initiatives, the maintenance of relatively low tariffs, and through improved physical infrastructure and connectivity with neighbors. This has resulted in strong growth in cross-border flows of goods, services and investment.

International economic integration is a key focus of the 7<sup>th</sup> NSEDP. Lao PDR has made tremendous efforts on economic and legal reforms to be in line with WTO requirements and regional arrangements. Lao PDR concluded a 15 years long negotiations and become the 158<sup>th</sup> member of the WTO on 2 February 2013. During the process, more than 90 pieces of legislation were reviewed and enacted, of which 26 were laws and 18 were decrees. These legislations include the revised Customs Law, revised Law on Taxes, reviewed Intellectual Property Law, and revised Law on Investment Promotion. In trade areas, four decrees were adopted covering trading rights, import licensing, rules of origin and trade-related transparency.

A challenge, however, as is now going to be the effective implementation of many of these regulations and ensuring that the benefits of the reforms are maximised.

Our Government has made the decision to view ourselves as a “Land-linked” country, and not just a “Land-locked” country. For this, Trade Facilitation is of paramount importance. We recognise that we need to reduce the costs of trading in order to ensure the competitiveness of our exporters as well as the overall economy. Efforts are being made to introduce automated information systems for customs clearance, along with more modern risk management techniques at the border to reduce clearance times and improve the efficiency of revenue collection. Encouraging steps have been taken to improve inter-agency border coordination through the establishment of a National Trade Facilitation Secretariat in 2010, the approval by Cabinet of a National Trade Facilitation Strategy and Action Plan in 2011, establishment of the first ever trade information portal - Lao Trade Portal (LTP) designed to provide traders with information needed for importing and exporting goods in 2012, and recent adoption of comprehensive roadmap for import export process simplification and harmonization.

While significant gain in the efficiency of logistics and trade facilitation along Lao PDR’s key transport corridors has been achieved, costs remain relatively high, which is partly associated with imbalanced trade and high frequency of movement of empty containers; and partly associated with poor infrastructure; inadequate transit facilities; insufficient human resources in areas of logistics and trade facilitation; cumbersome border crossing procedures in both Lao PDR and transit countries; low level of automation and harmonization of customs procedures, and finally non-tariff measures are increasingly seen as binding constraints for effective transit transport system in the sub region.

As a least developed, landlocked country, Lao PDR is facing significant challenges to provide efficient transit services to neighboring countries, to promote multimodal transport operation and mitigate the negative impacts caused by the landlocked supply chain of the country, future support and efforts to improve trade, transport and transit facilitation should focus on the following key areas:

- Further develop and enhance the capacity of the road network while maintaining the existing infrastructure;
- Develop an efficient regional transport network to increase competitiveness;
- Improve transport-related legislation and country capacity in order to facilitate cross-border and transit transport;
- Strengthen the capabilities of the National trade Facilitation Secretariat and National transport Committee as part of efforts to improve coordination among agencies with border management responsibilities;
- Mainstream Trade and Transport Facilitation across relevant line ministries;
- Work towards the simplification, harmonization and modernization of trade and customs procedures;
- Implement WTO, ASEAN, GMS and bi-lateral trade commitments;
- Develop private sector capacity to trade efficiently in compliance with rules and regulations;
- Provide for the right equipment and facilities to ensure the smooth and efficient administration of trade and customs procedures;
- Automate and reform substantive import export and transit procedures in order to improve consistency and performance standards;
- Ensure and enhance the sustainability of the Lao Trade Information Portal as part of efforts to make import/export procedures more transparent and predictable for the

private sector;

- Prepare and implement detailed plan to develop a National Single Window for import and export; and
- Explore opportunity to reduce transport cost by facilitating creation of full integrated cross border logistic operations. This may require going beyond the measures contained in the CBTA;and
- Conduct feasibility study on developing rail linked dry port, which could help reduce inland transport cost.

Since 2006 we have worked hard at increasing the ownership and effectiveness of our trade programme. Through the developments to date we have had the confidence to take charge of the diagnostic and programatic planning requirements within the EIF, and proceed with a nationally led Diagnostic Trade Integration Study.

Development partners have also worked closely with us in increasing harmonization and simplification in various projects, allowing more time to be spent on implementation. In particular, the implementation of the last DTIS has been greatly facilitated by the establishment of a Multi-Donor Trust Fund, the Trade Development Facility (or TDF) which completely harmonises various Donor interventions from the perspective of the Government. Through the investment of these projects in the capacity of the NIU and overall Governance structure it has also meant that other projects such as the UN Trade Cluster project can be more easily coordinated through the NIU, have all been aligned to the Government Financial Year.

We have also harmonised the steering committees for various TRA projects into a combined programme steering committee, what we call the Program Executive Committee. This means that the various projects can be aligned more closely to the government priorities as well as working in conjunction with each other as the engines of our trade programme. Over time we expect that this Committee will include more Development Partners within the context of our new Trade and Private sector working group.

We recently signed agreement with the World Bank to implement the sector program developed as part of the DTIS Update 2012 through formulation of the second multi donor trust fund - TDF II and EIF proposals. We have been able to increase size of the program as well as number of co-financing development partners for TDF II and we are confident that with substantial experience gained and important lessons learned during implementation of the 2006 DTIS, we can make the TDF II and all future trade related assistance program more effective and efficient.

As we have a very ambitious Trade and Private sector Development Agenda, implementation of which requires more financial and technical resources, close collaboration from Government, development partners, and active participation from the Private Sector. Therefore, we are using Trade and Private Sector Working Group – Government and Donor policy coordination mechanism as a platform for dialogue and coordination on policy issues as well as issues related to program formulation and execution.

I hope some of the experiences mentioned are relevant to other countries and useful for our efforts to remove physical and non-physical barriers to trade.

Thank you for your kind attention.