

Training of Trainers

Enhancing Capacity on

Trade Policies and Negotiations

Session 2: Introduction to Trade and Investment of Lao PDR

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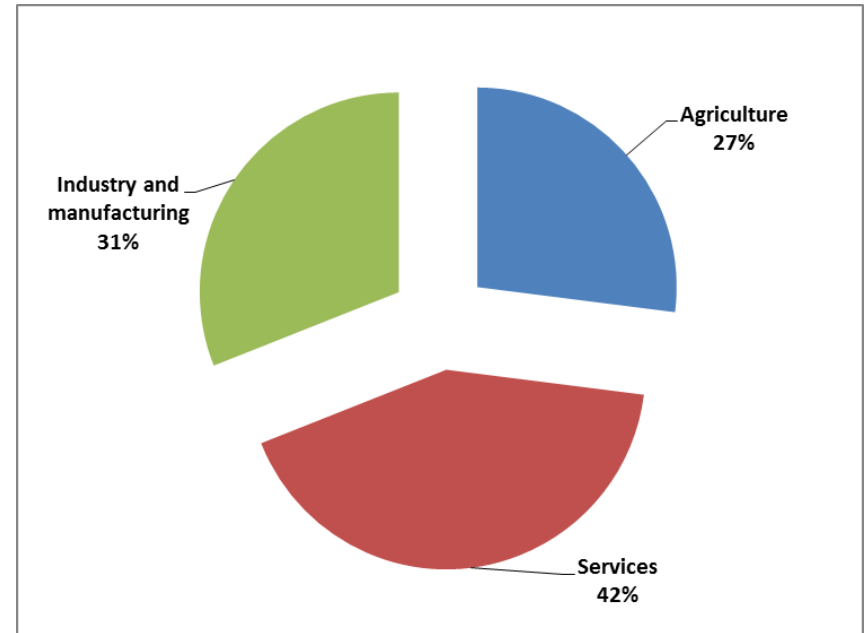


Topics covered

- **Lao PDR – macroeconomic trends**
- **Lao PDR - merchandise imports and exports**
- **Tariff profile**
- **Major trading partners**
- **Major trading sectors**
- **Services and investment**
- **Trade cost**

Macroeconomic trends

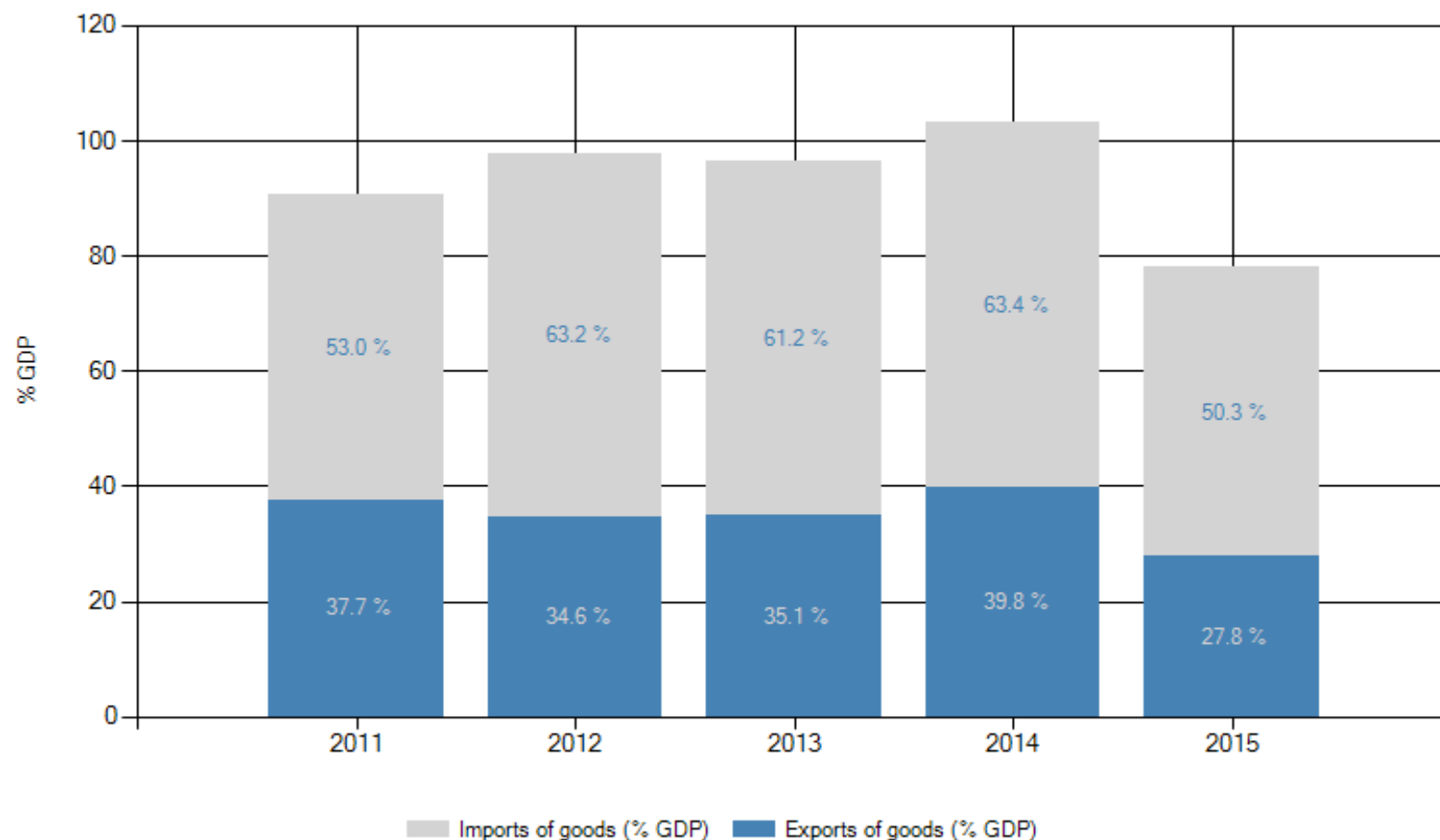
- Lao PDR's GDP amounts to USD 12,369 billion (2015).
- Services sector makes the largest contribution (42%), followed by Industry and Manufacturing (31%); with Agriculture coming third (27%).
- Lao PDR's GDP grew at an annual average of 7% over the past decade.



Despite a high contribution of services to GDP, the merchandise trade accounted for 82.2% of the Lao PDR total trade.

Goods trade to GDP ratio

Evolution of the total imports and exports of goods of Lao People's Democratic Republic (mirror)

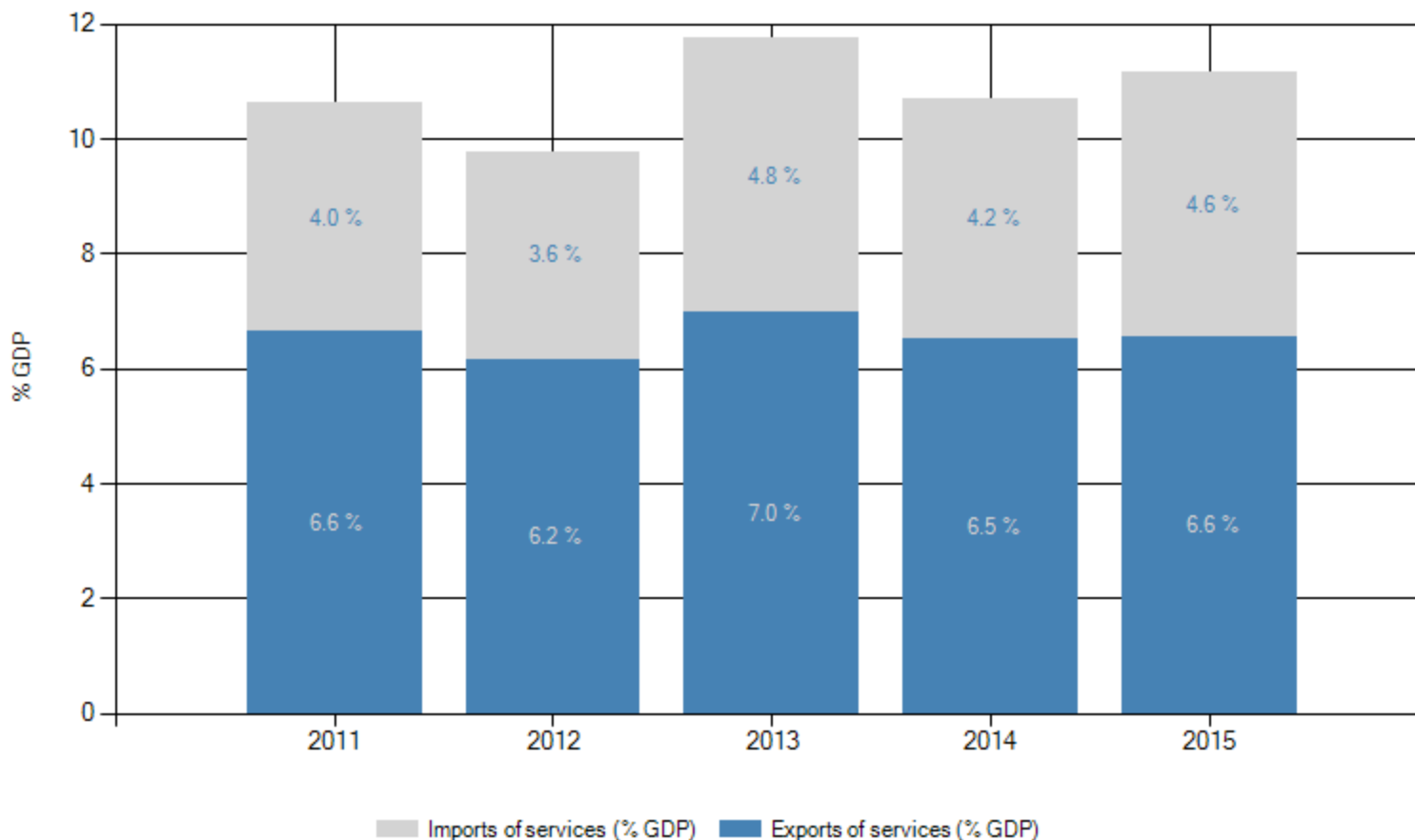


Source: ITC Trade Map (Trade), World Bank (GDP).

Note: Lao People's Democratic Republic has not yet reported its trade statistics for the full period under review and figures are based on mirror statistics (trade data rep...

Services trade to GDP ratio

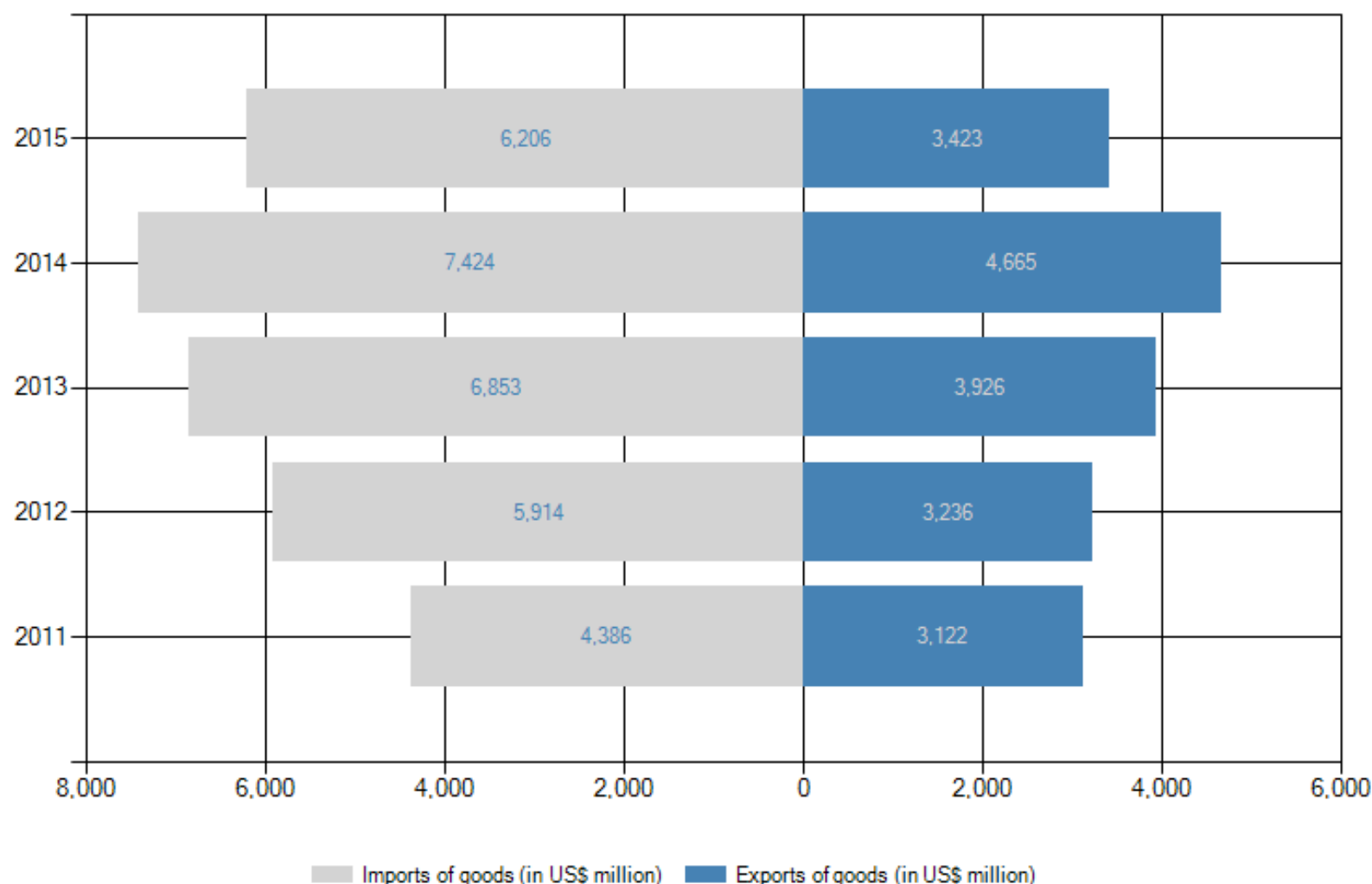
Evolution of the total imports and exports of services of Lao People's Democratic Republic (mirror)



Source: ITC's calculations based on the IMF's Balance of Payments, World Bank (GDP).

Note: Lao People's Democratic Republic has not yet reported its trade statistics for the full period under review and figures are based on mirror statistics (trade data rep..

Evolution of the total import and export of goods of Lao People's Democratic Republic (mirror)

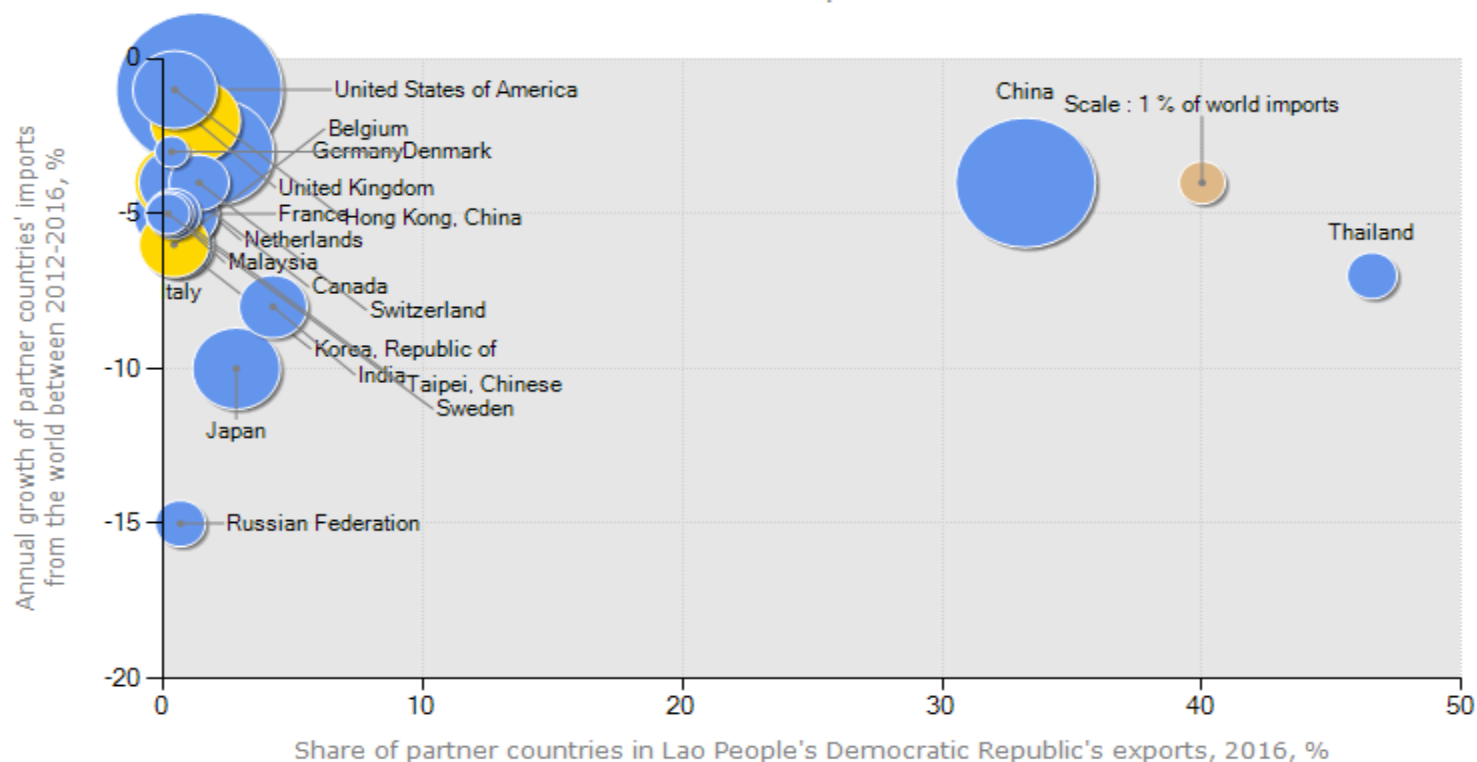


Source: ITC Trade Map.

Note: Lao People's Democratic Republic has not yet reported its trade statistics for the full period under review and figures are based on mirror statistics (trade data rep..

Major exports country destinations

Prospects for market diversification for a product exported by Lao People's Democratic Republic
in 2016
Product: TOTAL - All products



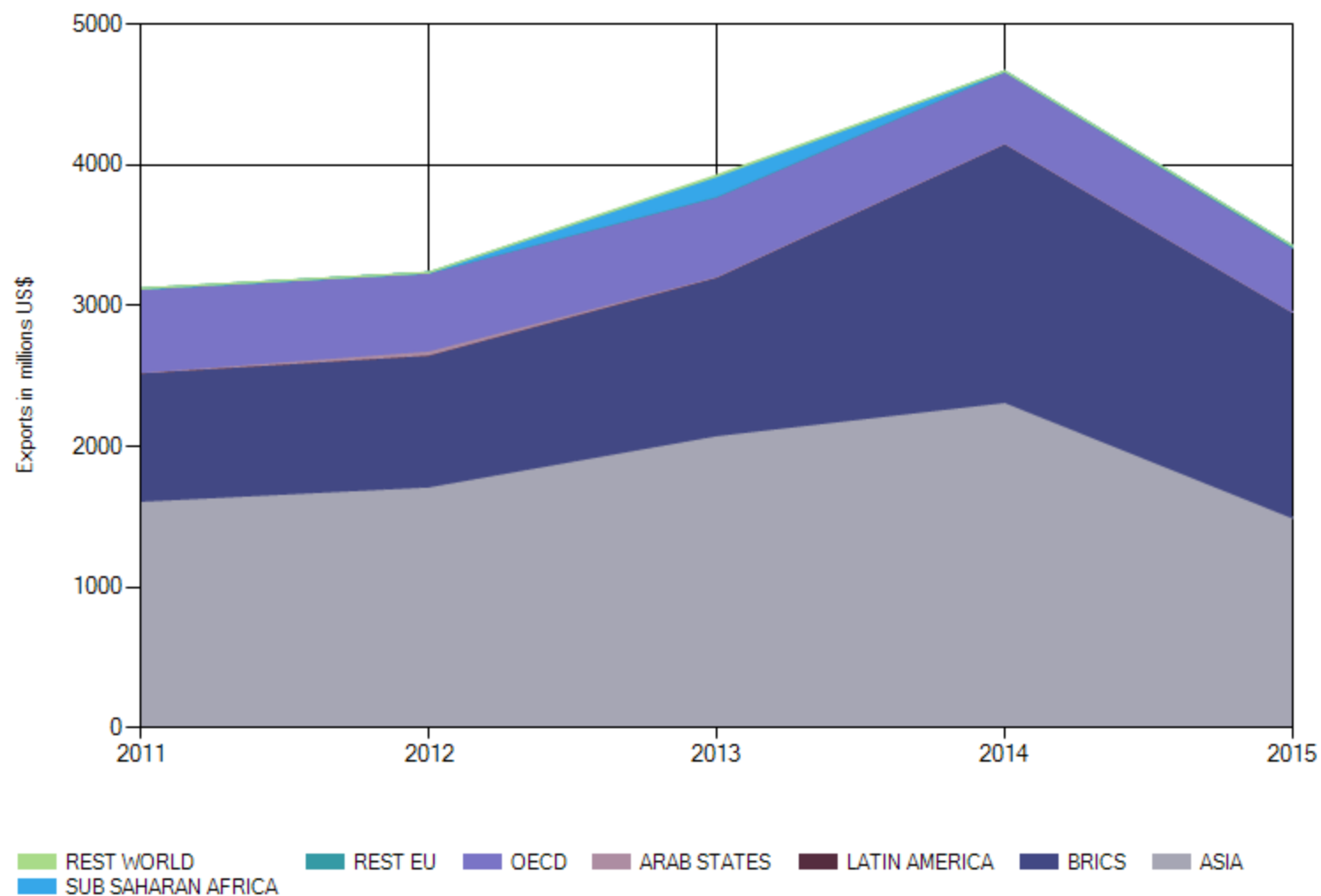
● Lao People's Democratic Republic export growth to partner < Partner import growth from the world

● Lao People's Democratic Republic export growth to partner > Partner import growth from the world

● Reference bubble
Bubble size is proportional to the share in world imports of partner countries for the selected product



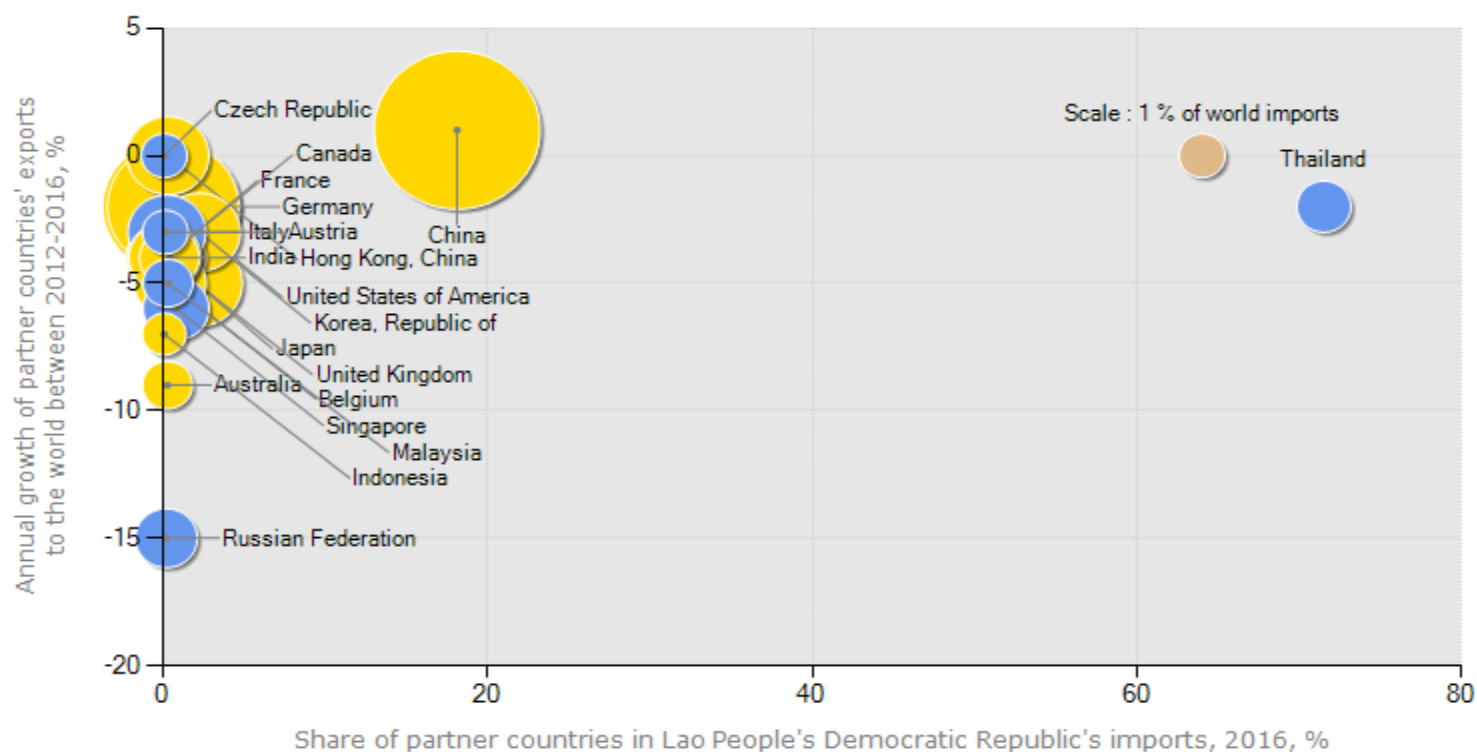
Lao People's Democratic Republic's exports by region of destination (mirror)



Major import country source

Prospects for market diversification for a product imported by Lao People's Democratic Republic
in 2016

Product: TOTAL - All products



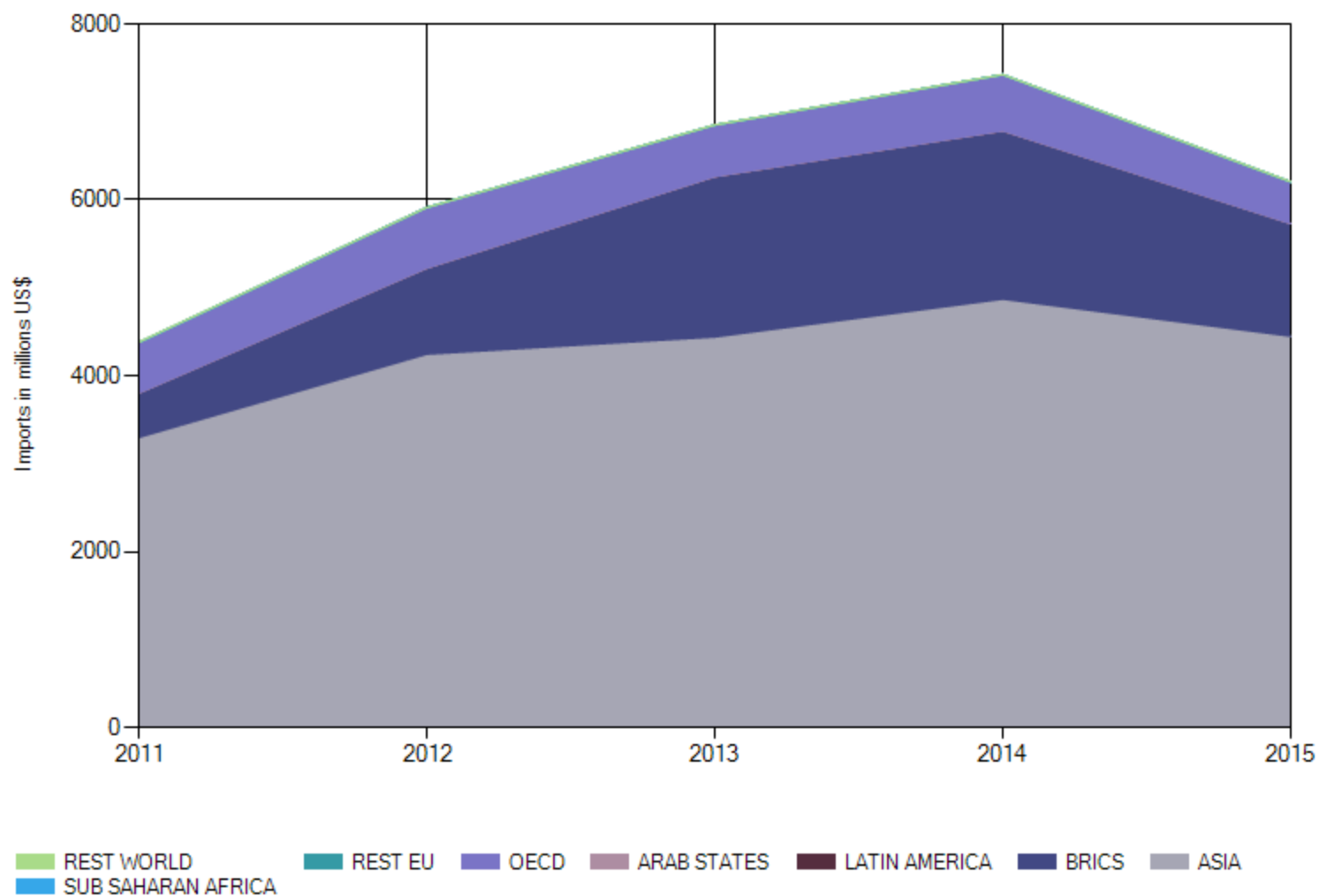
● Lao People's Democratic Republic import growth from partner < Partner export growth to the world

● Lao People's Democratic Republic import growth from partner > Partner export growth to the world

● Reference bubble
Bubble size is proportionnal to the share in world exports of partner countries for the selected product



Lao People's Democratic Republic's imports by region of origin (mirror)



Top 10 export sectors of Lao PDR (2015)

No.	HS Code	List of Products	Export Value in thousand US \$	% of Total Trade
1.	44	Wood and articles of wood; wood charcoal	957,088	24%
2.	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances;	608,893	15%
3.	74	Copper and articles thereof	522,303	13%
4.	26	Ores, slag and ash	475,337	12%
5.	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	321,707	8%
6.	62	Articles of apparel and clothing accessories, not knitted or crocheted	165,037	4%
7.	31	Fertilizers	164,327	4%
8.	40	Rubber and articles thereof	114,517	3%
9.	10	Cereals	96,235	2%
10.	09	Coffee, tea, maté and spices	92,385	2%
Total export			3,517,829	87% of total

Source: ITC

Growth of national supply and international demand for the products exported by Lao People's Democratic Republic in 2016



● Lao People's Democratic Republic is a net importer for this product

● Lao People's Democratic Republic is a net exporter for this product

● Reference bubble
Bubble size is proportional to import value

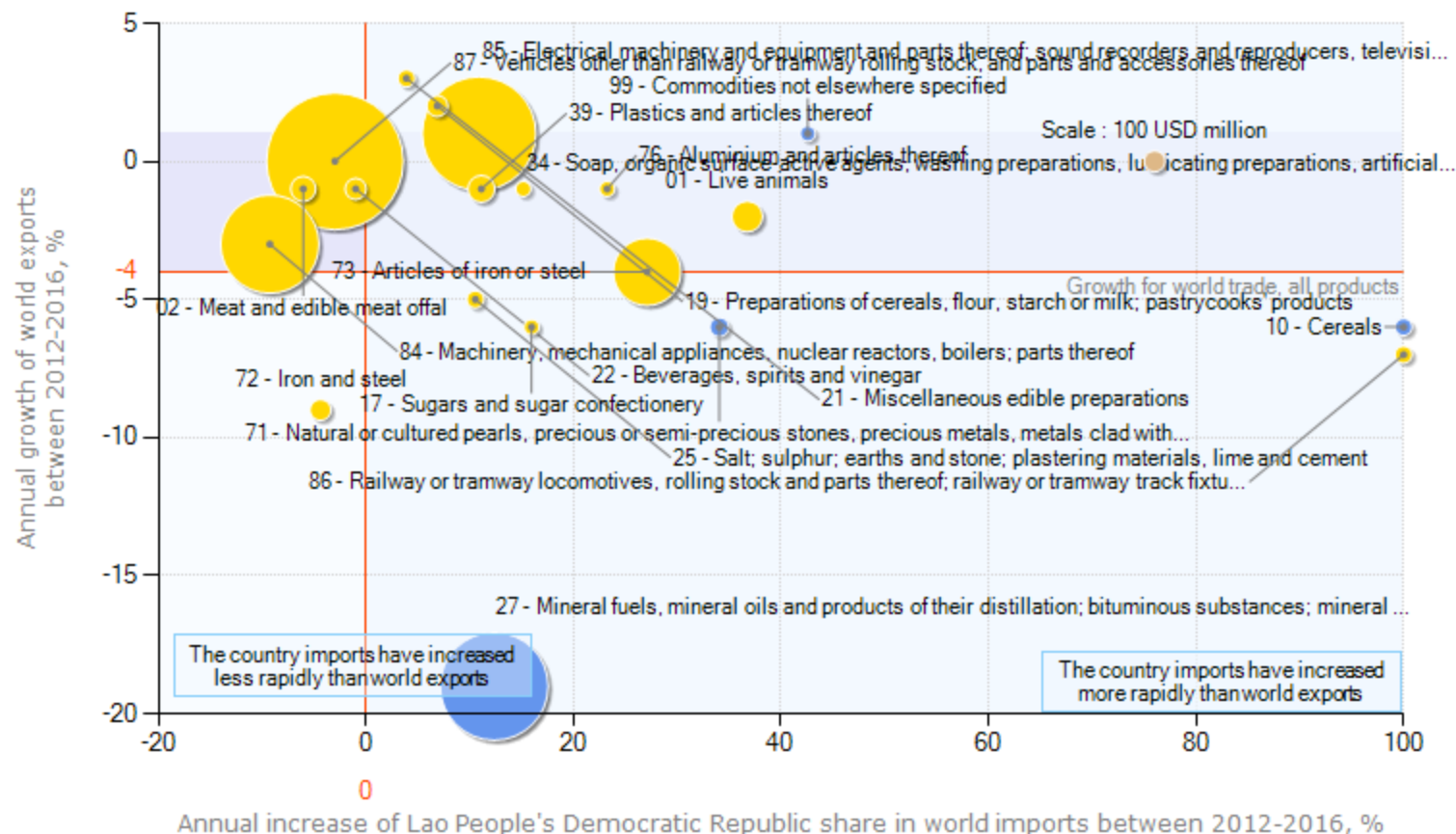


Top 10 import sectors Lao PDR (2015)

No.	HS Code	List of Products	Import Value in 2015 thousand US \$	% of Total Trade
1.	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	984,179	15%
2.	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	954,344	15%
3.	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	731,365	11%
4.	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	635,095	10%
5.	73	Articles of iron or steel	415,591	6%
6.	72	Iron and steel	236,843	4%
7.	71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad	189,595	3%
8.	88	Aircraft, spacecraft, and parts thereof	183,646	3%
9.	39	Plastics and articles thereof	154,767	2%
10.	02	Meat and edible meat offal	154,051	2%
Total imports			4,639,476	71% of total

Source: ITC

Growth of national demand and international supply for the products imported by Lao People's Democratic Republic in 2016



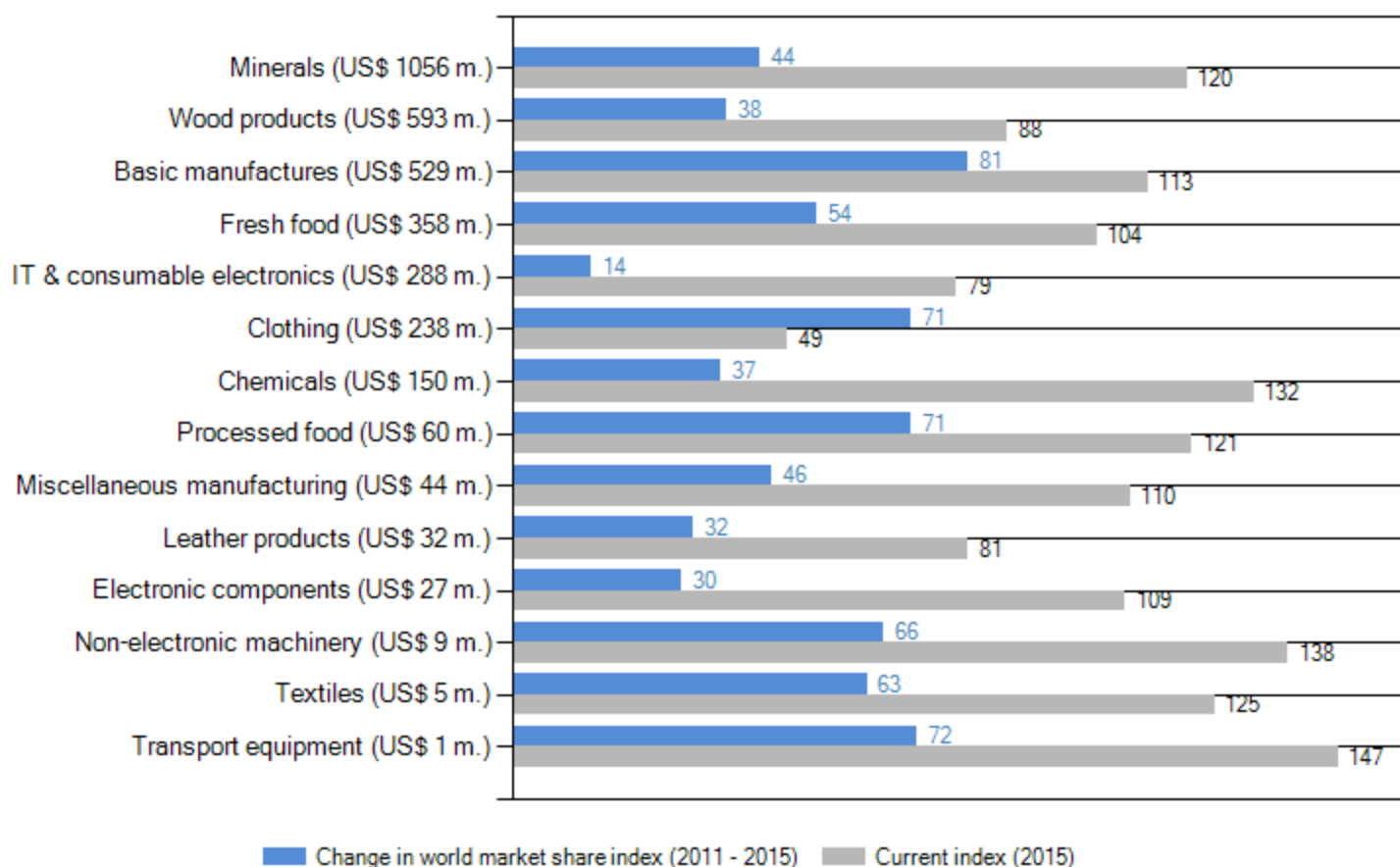
● Lao People's Democratic Republic is a net importer for this product

● Lao People's Democratic Republic is a net exporter for this product

● Reference bubble
Bubble size is proportionnal to import value



Trade Performance Index of Lao People's Democratic Republic (mirror)



Source: ITC Trade Competitiveness Map

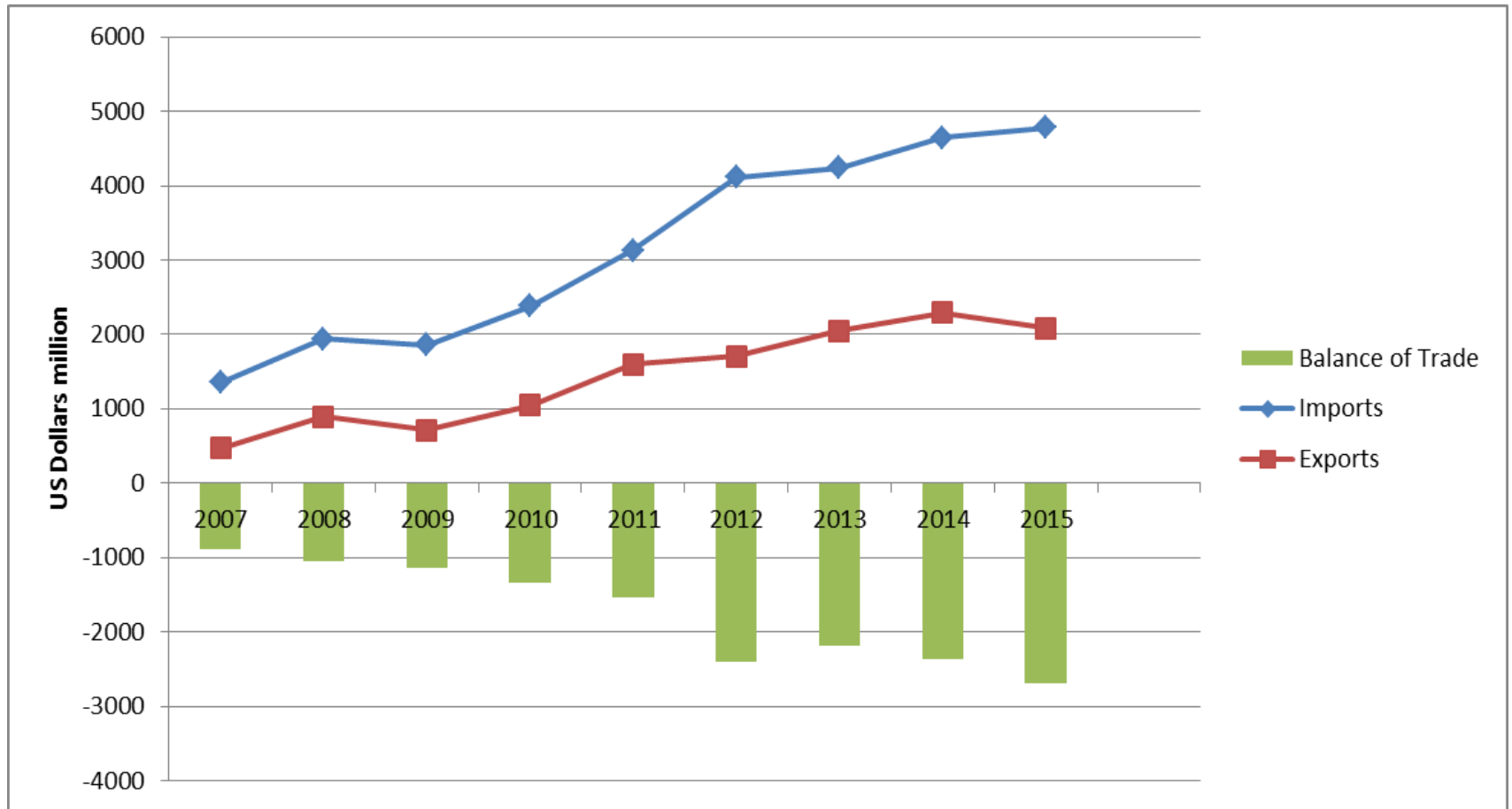
Note: The figures displayed on the bars correspond to the country's global rankings among other countries that export the same category of products.

The current index and change in world market share index are the world country ranking for the sector under review.

Only sectors with more than 1 US\$ million exports are considered.

Lao People's Democratic Republic has not yet reported its trade statistics for the full period under review and figures are based on mirror statistics (trade data rep..

Lao PDR's trade with ASEAN



Merchandise trade

- During 2010-2015 - exports grew by 7.6%, on average, slightly higher than the Asia-Pacific average export growth of 7.5%. During the same period the imports have grown by 9% as against Asia-Pacific region average contraction by 15%.
- However, in 2015, merchandise exports contracted sharply by 12.1%.
- Merchandise imports also dropped substantially by 9.6%.

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 Lao PDR'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.

Tariffs

- WTO member since 2 February 2013.
- The Lao PDRs has a binding coverage at 100% of its tariff lines and average MFN bound duty is 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 PDR has received preferential tariffs under the ASEAN trade agreements, the effectively applied rate has declined to 4.8%, lower than that of the Asia-Pacific region's average of 5.9%.

Lao PDR bound and applied duties

Summary		Total	Ag	Non-Ag	WTO member since	2013
Simple average final bound	2015	18.7	19.2	18.7	Binding coverage:	Total 100
Simple average MFN applied		10.0	20.1	8.3		Non-Ag 100
Trade weighted average					Ag: Tariff quotas (in %)	0
Imports in billion US\$					Ag: Special safeguards (in %)	0

Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
		Tariff lines and import values (in %)								in %
Agricultural products										
Final bound	2015	6.2	10.8	38.2	5.4	11.6	24.0	3.9	0	0
MFN applied		0	25.5	20.4	0	8.3	45.4	0	0	0.6
Imports										
Non-agricultural products										
Final bound	2015	0.1	11.5	14.3	15.6	40.1	18.3	0.1	0	0
MFN applied		0	58.3	33.5	0.1	4.7	3.2	0	0	0.1
Imports										

Sources: WTO

Import duties

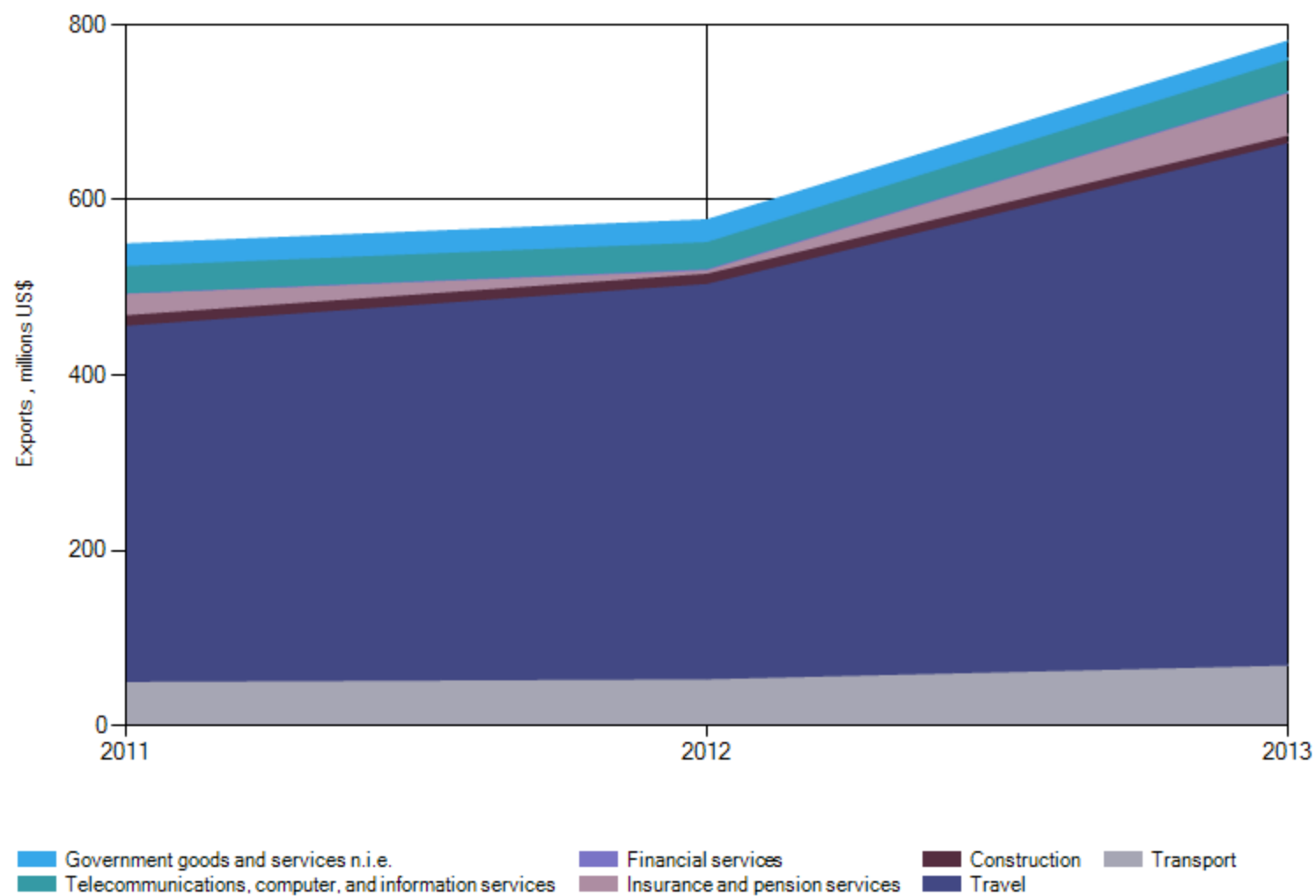
Major markets	Bilateral imports		Diversification		MFN AVG of		Pref.	Duty-free imports	
	in million US\$		95% trade in no. of		traded TL		margin	TL	Value
			HS 2-digit	HS 6-digit	Simple	Weighted	Weighted	in %	in %
Agricultural products									
1. China	2014	76	6	12	14.5	43.5	9.2	94.7	44.1
2. Thailand	2014	72	12	20	38.8	42.1	42.1	100.0	100.0
3. European Union	2014	70	6	6	16.5	33.4	33.4	100.0	100.0
4. Viet Nam	2014	60	4	5	18.0	16.4	13.1	51.9	33.0
5. Indonesia	2014	51	2	4	5.7	6.1	6.1	100.0	100.0
Non-agricultural products									
1. China	2014	1,698	5	8	10.9	0.5	0.1	99.1	95.4
2. Thailand	2014	1,342	5	6	11.5	0.9	0.9	100.0	100.0
3. Viet Nam	2014	742	7	8	8.9	0.4	0.2	76.8	95.3
4. European Union	2014	224	5	39	6.6	11.3	11.3	100.0	100.0
5. Japan	2014	90	13	40	11.2	24.9	24.1	96.1	95.5

Sources: WTO

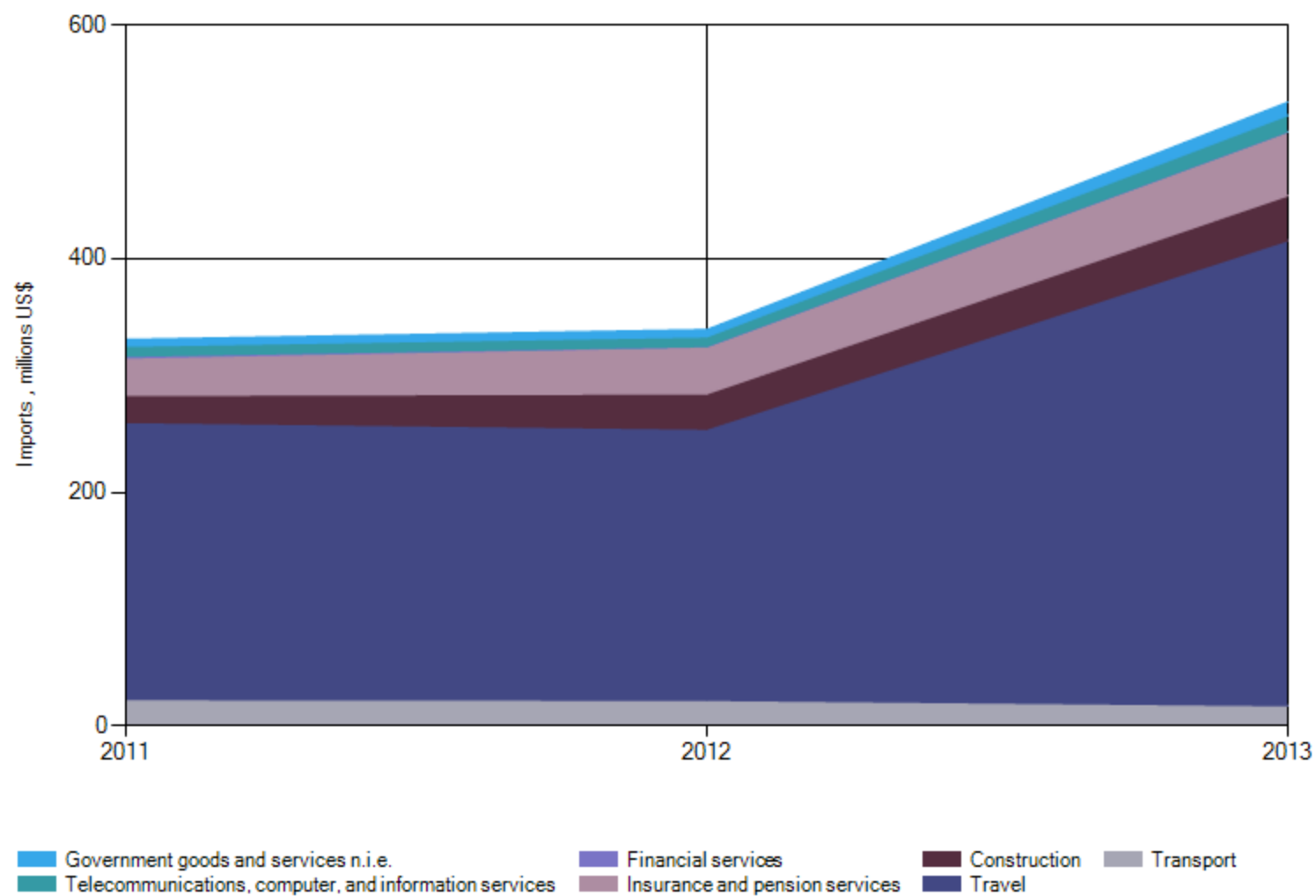
Services trade

- 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 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%.
- 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.

List of services exported by Lao People's Democratic Republic



List of services imported by Lao People's Democratic Republic



WTO and EIA commitments in services

Code	Sector	(GATS)	ASEAN - China	TOTAL
1	BUSINESS SERVICES			0
1.A	Professional Services	X		1
1.B	Computer and Related Services	X		1
1.C	Research and Development Services	X		1
1.D	Real Estate Services			0
1.E	Rental/Leasing Services without Operators			0
1.F	Other Business Services	X		1
2	COMMUNICATION SERVICES			0
2.A	Postal services			0
2.B	Courier services	X		1
2.C	Telecommunication services	X		1
2.D	Audiovisual services			0
3	CONSTRUCTION AND RELATED ENGINEERING SERVICES			0
3.A	General construction work for buildings	X		1
3.B	General construction work for civil engineering	X		1
3.C	Installation and assembly work	X		1
3.D	Building completion and finishing work	X		1
3.E	Other	X		1
4	DISTRIBUTION SERVICES			0
4.A	Commission agents' services			0
4.B	Wholesale trade services	X		1
4.C	Retailing services	X		1
4.D	Franchising	X		1
4.E	Other			0

5	EDUCATIONAL SERVICES			0
5.A	Primary education services	X		1
5.B	Secondary education services	X		1
5.C	Higher education services	X		1
5.D	Adult education	X		1
5.E	Other education services	X		1
6	ENVIRONMENTAL SERVICES			0
6.A	Sewage services	X		1
6.B	Refuse disposal services	X		1
6.C	Sanitation and similar services	X		1
6.D	Other	X		1
7	FINANCIAL SERVICES			0
7.A	All insurance and insurance-related services	X	X	2
7.B	Banking and other financial services (excl. insurance)	X	X	2
7.C	Other			0
8	HEALTH RELATED AND SOCIAL SERVICES (other than those listed under 1.A.h-j.)			0
8.A	Hospital services	X		1
8.B	Other Human Health Services			0
8.C	Social Services			0
8.D	Other			0

WTO and EIA commitments in services (2)

Code	Sector	(GATS)	ASEAN - China	TOTAL
9	TOURISM AND TRAVEL RELATED SERVICES			0
9.A	Hotels and restaurants (incl. catering)	X		1
9.B	Travel agencies and tour operators services	X		1
9.C	Tourist guides services			0
9.D	Other	X		1
10	RECREATIONAL, CULTURAL AND SPORTING SERVICES (other than audiovisual services)			0
10.A	Entertainment services (including theatre, live bands and circus services)			0
10.B	News agency services			0
10.C	Libraries, archives, museums and other cultural services			0
10.D	Sporting and other recreational services			0
10.E	Other			0

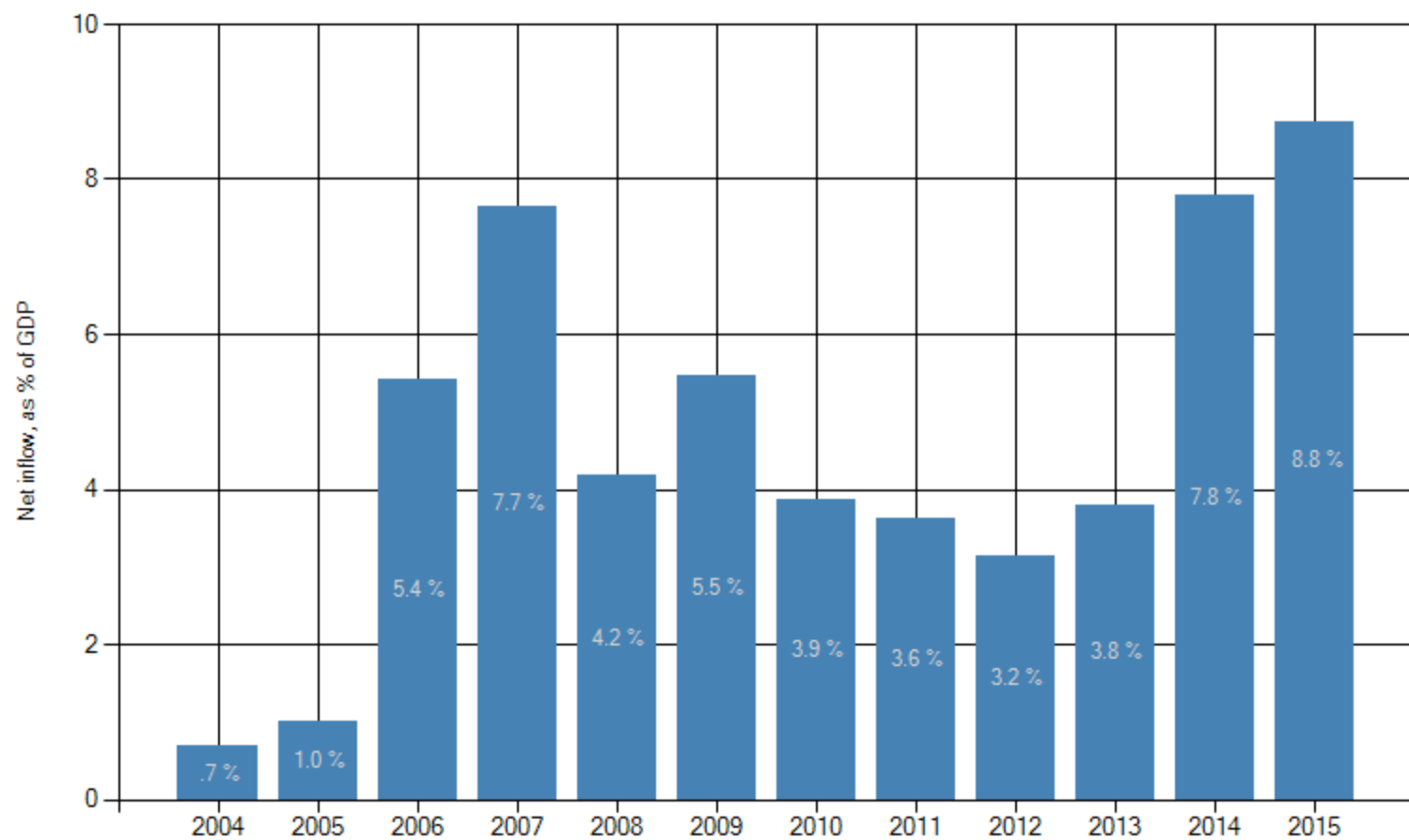
11	TRANSPORT SERVICES			0
11.A	Maritime Transport Services			0
11.B	Internal Waterways Transport			0
11.C	Air Transport Services	X		1
11.D	Space Transport			0
11.E	Rail Transport Services			0
11.F	Road Transport Services			0
11.G	Pipeline Transport			0
11.H	Services auxiliary to all modes of transport			0
11.I	Other Transport Services			0
****	TOTAL	30	2	0

Source: WTO I-TiP Database accessed on 24 April 2017

Foreign direct investment (FDI)

- The Lao PDR 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 in the country. FDI inflows largely went to the hydroelectric sector, while the mining, transportation, tourism and agriculture sectors also experienced rising inflows.

Evolution of FDI inflow in Lao People's Democratic Republic as % of GDP



Source: ITC based on World Bank WDI.

Lao PDR and Asia-Pacific



Note: Figures reflect value of 2014-2015

■ 2014-2015 ● 2010-2015

Source: APTIAD Country Brief 2016, Lao PDR Available at <http://www.unescap.org/resources/aptir-2016-country-briefs-lao-pdr>

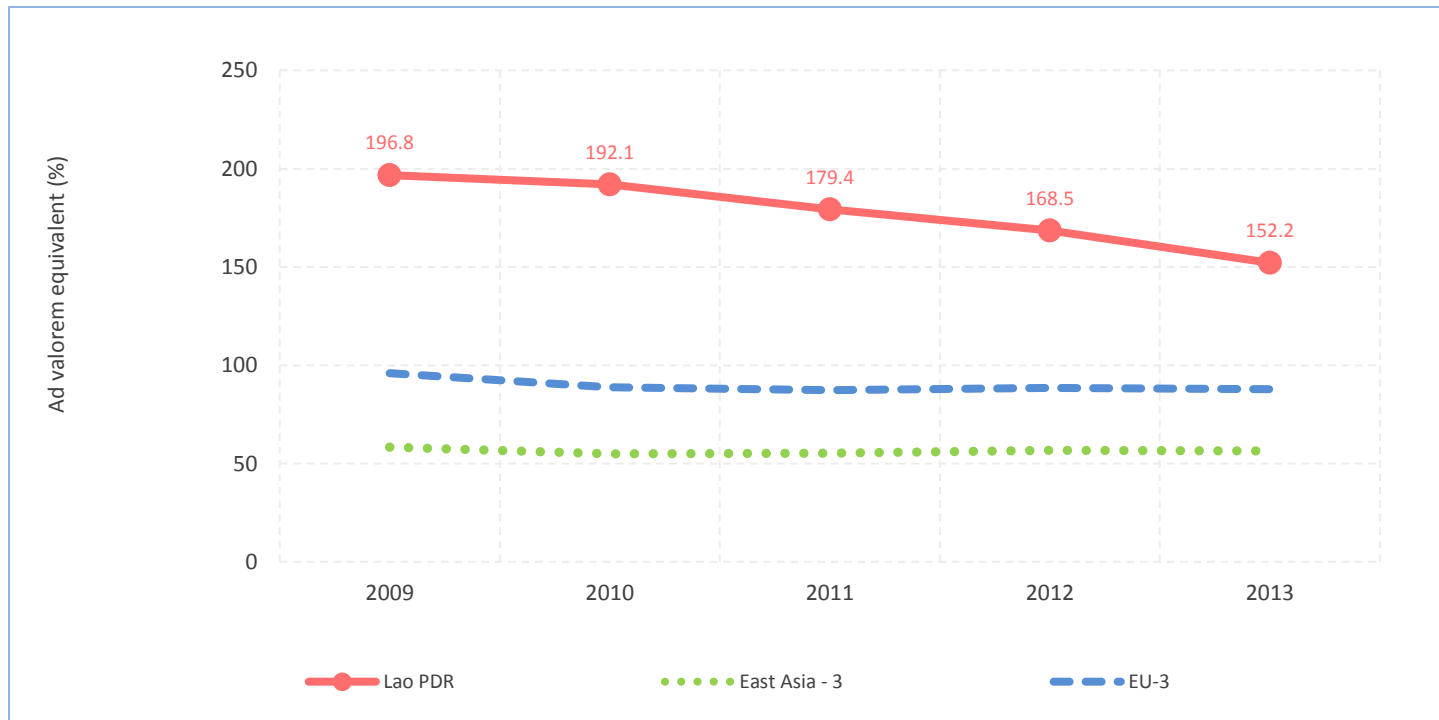
Trade agreements

- The Lao PDR has eight preferential trade agreements (PTAs) in force, at par with Asia-Pacific average.
- 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.

Trade costs

- Intraregional trade costs for Lao PDR remained high compared with the most efficient major traders in Asia-Pacific, but there is a downward declining trend during 2009-2013.
- In 2013, trade costs incurred by the Lao PDR 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-Pacific (China, India, Indonesia and the Russian Federation).

Trade costs



Discussion

- **What needs to be done to expand exports?**
 - **Appropriate policy incentives**
 - **Product diversification**
 - **Market diversification**
 - **GVC/ RVC**
- **How Government can promote exports?**
- **Are dissemination of information and stakeholders consultations important for policymaking?**
- **What kind of consultations there are in Lao PDR?**

Q&A

Thank You