

# LAOS

## TRADE SUMMARY

The U.S. goods trade deficit with Laos was \$23 million in 2009, down \$1 million from 2008. U.S. goods exports in 2009 were \$20 million, up 11.4 percent from the previous year. Corresponding U.S. imports from Laos were \$43 million, up 2.2 percent. Laos is currently the 181st largest export market for U.S. goods.

## IMPORT POLICIES

### Tariffs

Under the terms of the Agreement between the United States and the Lao People's Democratic Republic on Trade Relations or United States-Lao Bilateral Trade Agreement (BTA), which entered into force on February 4, 2005, the United States granted Normal Trade Relations treatment to products of Laos, and Laos committed to provide U.S. exports with preferential tariff rates on a range of products and to apply Laos' most-favored nation tariff treatment to the remainder of imports from the United States.

The United States continues to closely monitor the application of BTA and MFN tariff rates to U.S. products.

### Nontariff Barriers

Laos continues to implement provisions of the BTA in an effort to modernize its economy and adopt policies supportive of the private sector. In some areas, implementation of the BTA has been slow and several key nontariff barriers have been identified.

*Import Restrictions and Licensing Requirements:* All imports are subject to licensing requirements, and most licenses are non-automatic. Among the wide range of products subject to these non-automatic licensing requirements are food and animal feeds, fuels and lubricants, steel bars for construction, print and audiovisual material, cement, and motor vehicles. Only firms licensed as import companies are permitted to import goods into Laos.

*Customs:* Nearly every container that enters Laos at a formal border checkpoint is inspected, and foreign businesses regularly complain of irregularities and corruption in the clearance process. A large proportion of goods entering Laos do so informally as border control is weak. Customs procedures in Laos have improved since the introduction of the ASEAN Harmonized Tariff System, but a large number of approvals and informal payments are often still required to get through the process.

*Taxes:* All goods and services are subject to a turnover tax of either 5 percent or 10 percent. Laos appears to apply turnover tax rates to many domestic products that are lower than those applied to imported products, or to apply turnover tax exemptions to domestic products that it does not apply to imported products. The United States has worked with Laos to ensure its tax regime complies with its BTA obligations and conforms with obligations to provide national treatment in the application of all internal taxes. In addition to the turnover tax, certain goods are subjected to an additional excise tax.

## **INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION**

Laos has undertaken work to create a more modern IPR regime, but currently provides uneven levels of IPR protection. Laos promulgated its first Intellectual Property Law in January 2008, but implementing regulations have yet to be issued and the law itself will need further amendments in order fully implement Lao BTA obligations. Laos became a member of the World Intellectual Property Organization (WIPO) in 1995 and a member of the WIPO Paris Convention for the Protection of Industrial Property in 1998. It has also signed the WIPO Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, but has not yet acceded to that Convention. As a member of ASEAN, Laos has acceded to all of ASEAN's framework agreements, including the ASEAN Framework Agreement on Intellectual Property Cooperation.

Laos issued a trademark decree in 1995, which places the recently reorganized Science and Technology Agency (STA), a ministry-level agency within the office of the Prime Minister, in charge of the issuance of trademarks. There are currently about 20,400 trademarks registered in Laos. A decree protecting patents, petty patents, and industrial designs was issued in January 2002. Laos developed a draft copyright law in 2005, but it has not yet been enacted, so copyrights and related rights are unprotected in Laos.

STA also is responsible for IPR administration and enforcement in Laos. While STA personnel are well-trained, they have little authority, and IPR enforcement remains weak. In particular, STA lacks the authority to arrest and does not effectively coordinate with the police. Effective IPR enforcement at the border also is lacking due to Laos' porous borders controls.

## **INVESTMENT BARRIERS**

Laos has a challenging investment climate due to weak rule of law, opaque regulations, and inefficient infrastructure and services sectors, particularly financial services. Documentation required for foreign businesses remains burdensome and effectively segregates foreign firms into a separate category of business activity from domestic firms. Investment by foreign businesses in Laos requires a feasibility study.

The required annual renewal of a Lao business license is contingent on certification that all taxes have been paid. Foreign investors have complained that taxes are often assessed in an inconsistent and nontransparent manner. Moreover, U.S. companies have been denied necessary local business licenses despite possessing valid national long-term investment permits. The United States continues to urge the Lao government to address this issue.

Corruption remains a significant and growing concern for investors in Laos. Informal payments to low level officials to expedite time-sensitive applications, such as for business licenses or importation of perishable items, are not uncommon and the problem is reported to be growing for certain industries. While the National Assembly passed an anti-corruption law in 2005, to date no implementing regulations have been enacted.

Lao's underdeveloped legal system also creates barriers for foreign investors. Judgments in commercial cases against foreigners lack transparency and predictability. Many areas of business and finance are covered by ill-defined statutes. New draft laws are gradually emerging, however, and the Lao government is receiving assistance from the United States and other international organizations to develop the legal framework in the country.