

LAO TRADE

MAGAZINE

Issue: 4 January



LAO PDR
TO HOST THE 17TH
AEM RETREAT IN
FEBRUARY 2011



LAO PDR-CHINA
TRADE RELATIONS



TRADE
FACILITATION

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Welcome to the fourth edition of the
Lao Trade Magazine.

Our current edition of the trade magazine highlights the ongoing effort of the government in trade development related work. This includes preparations for a Lao Diagnostic Trade Integration Study (DTIS), including a review of opportunities and constraints that Laos faces with regard to international trade. The magazine also pinpoints the importance of Trade Facilitation, the Custom Valuation Agreement under WTO Agreements, the development of the One District One Product (ODOP) scheme and work on public-private sector support such as the Sustainable Silk Development Project and the Garment Training Centre sub-projects of the Multi-Donor Trade Development Facility.

We hope you enjoy the articles in our latest edition of the magazine. We look forward to your feedback and suggestion on articles you would like to be covered in future editions.

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ONE DISTRICT ONE PRODUCT

ODOP

MOVEMENT

By: the Economic Research Institute for Trade

The “One District One Product (ODOP)” movement is a key community development programme. The concept was originally established in the Oita Prefecture by the Japanese Government, and is now operational in many countries including Lao PDR. ODOP can generate income and increased employment in rural areas and can assist in reducing labour migration from rural to urban areas. The overall concept of the ODOP movement focuses on poverty reduction at the local area by supporting villagers to select competitive products made from local materials, using local wisdom, creativity and unique skills in order to produce and sell unique products with true value aimed at both the domestic and global markets.

The Economic Research Institute for Trade (ERIT) of the Ministry of Industry and Commerce in Lao PDR is one of the departments that has been assigned to follow up and facilitate a pilot ODOP project in Saravanh and Savannakhet provinces. This pilot is predominantly supported by the government of Japan, with information and dissemination support from the TDF project. The pilot project will utilize and transfer skills to local people to transform latent resources into higher value products. Local people will learn how to utilize resources that are available in their local area in sustainable way leading to the sale of their products to different cities as well as for sale to tourists at the local villages level.

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LAO PDR

TO HOST THE 17TH AEM RETREAT IN FEBRUARY 2011



By: The ASEAN Economic Integration Division, Foreign Trade Policy Department

The government of Lao has been honored to host the forthcoming 17th ASEAN Economic Ministers Meeting (AEM) Retreat in February 2011. This was agreed by the 16th AEM Retreat held in Putrajaya, Malaysia. The AEM is scheduled to be organized during the first quarter of each year, whereas the Annual ASEAN Economic Ministers and ASEAN Dialogue partners meeting or AEM Meeting will be held during the second half of each year (the majority of the previous AEM Meetings were organized during August of the each year).

The Retreat which will be attended by the 10 ASEAN economic ministers will not involve negotiation with ASEAN Dialogue Partners. However, discussions will cover mechanisms to enhance existing cooperation in trade and investment and initiatives to strengthen economic integration within the region, with a view to establishing ASEAN as a competitive single market and production base. The AEM Retreat will also be a platform for providing useful advice for Senior Economic Officials to deal with any pending issues especially those related to priority actions as stipulated in the ASEAN Economic Community Blueprint.

Hosting the 17th AEM Retreat in Vientiane will not only strengthen our capacity in organizing international meetings, but will also provide an opportunity to promote our social and economic development as well as tourism.

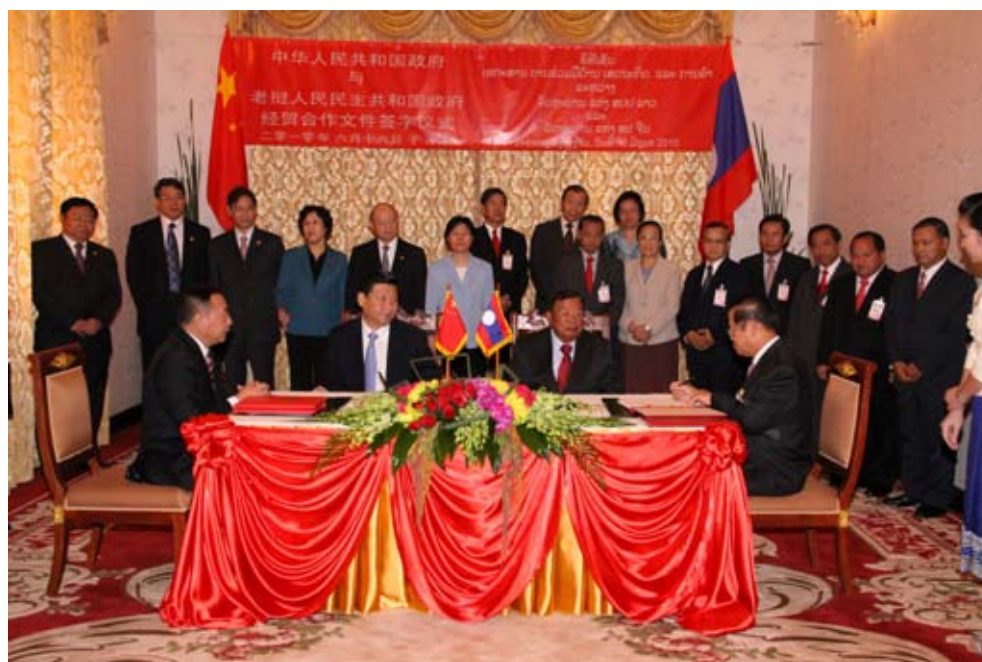
LAO PDR-CHINA

TRADE RELATION

By : Bilateral Trade Policy Division, Foreign Trade Policy Department

The bilateral trade relations between the Lao People's Democratic Republic and the People's Republic of China has grown steadily. On 11th June 1997, the two countries concluded the bilateral trade agreement in Vientiane Capital. Since 2004, Lao PDR has been granted unilateral preferential tariff from China for 329 products. The two countries initiated measures to enhance and promote progressively the bilateral trade development, including among others a measure on tariffs exemption on goods with an aggregate value less than RMB 3,000/person/day imported into China by people residing along the border of the two countries. The value to be exempted from tariff was remarkably increased to RMB 8,000/person/day in 2008. The two governments, moreover, set the target trade value of USD 1 billion to be achieved in 2010. In particular, a bilateral trade value between Lao PDR and Yunnan Province, PRC must achieve at least USD 150 million by 2010.

For the past two years, Lao PDR and China have continuously strengthened a close trade cooperation with an aim to create a better environment for trade and investment; for instance, the Fourth Lao PDR-China Joint Committee Meeting held in May 2009 Beijing, China and the Fourth Meeting of Lao PDR-Yunnan Coordinating Committee held in June 2009 in Xiengkhouang, China. Furthermore, the two governments have frequently exchanged delegations, visits and shared experience on various aspects of development. Besides, Lao businesses and companies have attended trade fairs and exhibitions organized in China. On the other hand, a number of Chinese companies also coming to Lao PDR to explore its ample opportunities for trade and investment has been on the rise.



Bilateral meeting between high level delegations of Lao PDR and People's Republic of China, 16 June 2010, Vientiane, Lao PDR



A signing Ceremony of MOU on Economic and Trade Cooperation between the governments of Lao PDR and the Government of the People's Republic of China, 16 June 2010, Vientiane.

Due to the very close cooperation built on mutual interests, the economy and trade of the two countries have been prosperously developed. China was ranked the second largest trading partner of Lao PDR, after Thailand in 2009. Statically, the bilateral trade value in 2009 reached USD 744 million, compared to that in 2008 hugely increased by 79%. If weighing against the target trade value of USD 1 billion set by the two governments in 2010, the target is almost realized. For only 10 months of 2010, the bilateral trade value has reached USD 844.64 million, increased by 46.2% compared to value of the same period in 2009. The imports achieved USD 392.40 million, increased by 39.1%. An increase of goods imported for investment and for reselling e.g. vehicle spare parts, electronic appliances, apparels, and daily products has significantly boosted up the import. Meanwhile, the export value extraordinarily reached USD 454.24 million, increased by 53%. From the figures shown, it can be witnessed that Lao PDR has definitely acquired trade surplus with China for two years consecutively. A reason behind this phenomenon is a huge increase in exports of agricultural products such as maize, dried coex, sesame seeds, forestry products, wood products, and minerals (source: Asia Department, Ministry of Commerce of China, updated 01 December 2010).

In addition to trade, the Chinese accumulated investment in Lao PDR from 2000 to 2009 was USD 2.6 billion with 340 projects, ranking China the second largest FDI investor in Lao PDR. As for merely 2010, China is ranked the first largest investor investing in 16 mega projects with the value of more than USD 344 million (Source: Investment Promotion Department, Ministry of Planning and Investment).

Although the bilateral trade keeps growing considerably, most of the export of Lao PDR bases heavily on border trade. As a consequence, Lao export to China has faced lots of challenges. Moreover, the agreements concluded between the two governments particularly a tariff reduction schedule under the ASEAN-China Free Trade Agreement, the Asia-Pacific Trade Agreement (APTA) as well as the framework cooperation under Greater Mekong Sub-region (GMS) have not yet been fully implemented. Furthermore, a list of products enjoying unilateral trade preferences (SPT) granted by China doesn't actually include potential products that Lao PDR can produce, leading to inefficient utilization of such preferences by the Lao private sector.

Overall, the current development of Lao-China bilateral trade is growing relatively satisfactory. It is expected that in the future the two governments will pay more efforts in developing and promoting trade and investment between the two countries. Since, China is a huge market with the area of 9.5 million square kilometers and 1.3 billion populations, and has significant influence towards regional and global economy. The Chinese economy is ranked the world's third largest economy after USA and EU, in which, the export reaches USD 1,423.84 billion and

import reaches USD 1,253.43 billion in 2010. The agricultural products, milk powder, vegetable oil, mining as well as raw materials for processing industry are main importing products of China (source: Foreign Trade Department, Ministry of Commerce, China).

From the Foreign Trade Policy Department's perspective, working as an authority for negotiating and encouraging implementation of economic and trade cooperation frameworks, Chinese market will be a core and essential market for Lao export mainly agricultural products and food in the future. China as the world largest manufacturing industry has the high demands for raw materials, particularly rubber. Now rubber trees are abundantly planted in Lao PDR. On the other hand, the construction of Laos-China high speed railway to link China, Lao PDR and Thailand plus enormous population will be a main factor to push the Lao agricultural products and food industry forwards. This is a preeminent opportunity for Lao PDR to expand its market share in China in the future. Therefore, both public and private sector of Lao PDR shall better cooperate to put in place the agricultural production system.



*H.E. Choummaly Saygnasone,
Secretary General of the Lao
People's Revolutionary Party and
President of Lao PDR met with
H.E. Xi Jinping, First Secretary
of Secretariat Party and Vice
President of the People's Republic of
China, 16 June 2010, Vientiane*

CUSTOMS

VALUATION AGREEMENT

By: The Multilateral Trade Policy Division, Foreign Trade Policy Department.



For importers, the process of estimating the value of a product at customs presents potential problems that can be just as serious as the actual rate of duty charged. The WTO agreement on customs valuation aims for a fair, uniform and neutral system for the valuation of goods for customs purposes. This requires a system that conforms to commercial realities, and which outlaws the use of arbitrary or fictitious customs values. The agreement provides a set of valuation rules, expanding and giving greater precision to the provisions on customs valuation in the original GATT.

The Customs Valuation Agreement CVA is one of the WTO Agreements to elaborate Article VII of the (GATT). Its purpose is to ensure non-discrimination, transparency and certainty on customs valuation, aiming to facilitate importation of products and avoid arbitrary determination on customs duty by customs officers.

What is customs valuation?

Customs valuation is the procedure applied to imported goods subject to an ad valorem duty, specific duty or composit duty, The customs valuation agreement specifies that customs valuation methods should be based on the transaction-value. Consequently customs officers should value goods according to this agreement.

How many types of customs duties?

Ad valorem duty: this method of customs duty usually charged as a percentage of value.

Specific duty: this is a fixed rate of duty applied per measure (e.g weight or unit) regardless of differences in the product's valuation.

Composite duty: is the combination of an ad valorem and specific duty applied to a product.

What are the provision of the customs valuation agreement?

The customs valuation agreement has defined methods and procedures related to customs valuation. The main objective is to value imports on their transaction-value, based upon the principle of non-discrimination to the exporting country of origin (Most-favoured nation), and equitable treatment to domestic and foreign enterprises/person (National treatment).

The agreement defines 7 methods for customs valuation which customs officers have to follow. The methods are set out in sequence and Customs authorities should only resorting to another valuation method when they cannot use sequentially superior (e.g 1 is superior to 2) valuation methods:

Method 1: Transaction-value

Total value of goods imported which the buyer paid to the seller including all expenditure related to the importation including third party costs (e.g. insurance and freight). Transaction value is the primary method for customs valuation and may be rejected solely where warranted by facts and after following proper procedures.

Method 2: Transaction value of identical goods

The calculation of transaction value applied to identical goods based on physical characteristics, quality and reputation. The transaction values of identical goods by assessment of the goods produced from the same country and assessment manufacturing cost from the same manufacturer. This method should be applied to *identical* goods only.

Method 3: Transaction value of similar goods

The transaction value of similar goods based on quality, reputation and trademarks.

Method 4: reverse application of methods 5 and 6

Choice of use of application of methods 5 or 6

When it is not possible to value the imported goods through methods 1, 2 or 3 the customs authority can apply method 5 or 6. However, importers have the right to request which method of valuation will be applied by customs authority.

Method 5: Deductive method

This method would be applied after method 1, 2 and 3 have failed. Here the deductive method is based on the unit price at which identical or similar imported goods are sold in the domestic market (in the greatest aggregate quantity) less the estimated domestic market costs (e.g. domestic transport costs, commissions etc...).

Method 6: Computed value

The computed value is the most complex and rarely used method of customs valuation. It is based on manufacturing costs plus profit and general expenditure as well as other costs related to bringing the goods to the importing country.

Method 7: Fall back method (1-6)

This method shall be selected as a last resort if it has been impossible to value the goods using one of the methods. The method used should be consistent with the principles and general provisions of the CVA and Article VII of GATT.

When the transaction value is suspicious, unacceptable and/or unable to be determined, customs officers have the right to value the goods using the following method. If a value is again not able to be determined the next method can be used, with the last resort being method 7. In the case of unclear transaction value information, Customs officers have the right to request for more information related to the transaction value from the importer. The customs officer shall define certain timelines on information inspection for avoid additional trade barriers.

Benefits of the WTO customs valuation agreement:

The WTO Customs Valuation Agreement provides certainty and predictability to import businesses, which are critical trade development and the economic growth of Lao PDR. In this system, the importer can import goods and pay a known and budgeted customs duty based on the transaction value. Cheaper versions of the product are taxed less resulting in lower prices for consumers and increased choice of goods. The implementation of the customs valuation agreement CVA will enhance transparency on custom valuation procedures, provide clarity, predictability and certainty to import business, and result in increase government revenue through increased imports and increased official declaration of imports (revenue from customs).

Lao PDR customs valuation

To date Lao PDR is stilling currently using a reference price on customs valuation where customs duty on some goods is charged at higher than actual value. This may result in a negative effect to the importer and makes their goods less competitive. The main objective of implementing customs valuation under the WTO agreement in the Lao PDR context is to move from a system of reference prices to a CVA compliant system that benefits economic growth and ensures WTO compliance. The Ministry of Finance (Customs Department) is currently developing the new system, preparing equipment and personnel to be able to implement WTO Customs Valuation, while gradually eliminating the use of reference prices for valuation. Lao PDR will fully implement the customs valuation and WTO agreement by 2012.

THE GARMENT

SERVICE CENTRE AND
SUSTAINABLE SILK
PRODUCTION PROJECTS

*By: The Department of Trade
Promotion and Product
Development*



The Department of Trade Promotion and Product Development (TPPD), Ministry of Industry and Commerce, is one of the key implementing agencies for the Trade Development Facility and is specifically tasked with leading the component focusing on increasing export competitiveness and improving the business environment. TPPD is currently at the early stage of implementing 5 sub projects and we are pleased to initially introduce 2 sub-projects for this issue of the Laos Trade Magazine.

First sub-project: The Garment Service Centre (GSC), funded by TDF was launched in April 2010 as a business unit of the Association of the Lao Garment Industries (ALGI) to provide training and consulting services specifically for the garment industry.

The aim of the GSC is to “enhance the competitiveness of the Lao garment sector”. The global garment industry is going through the greatest change in its history, moving into an era when providing a quality product, on time and at a competitive price will not be an asset but a basic requirement. Assets will be the extra services factories can provide. The logic of the project is that exports in the garment sector are at risk of stagnating or declining because of eroding competitiveness. One of the most critical competitiveness constraints, particularly for the factories that account for the bulk of exports, is the productivity of their human resources to



upgrade their supervisory level so that productivity and efficiency rates can be increased. This can only be done through high quality training adapted to the needs of Laos.

The hallmark of a teaching and learning institution is its curriculum. The GSC's training material provides a systematic, process-oriented approach that covers every aspect of an innovative and effective garment factory management. In the long term course offerings shall range from introductory level fundamentals to preparation for the first SEA international garment AFTEX Certificate Program (available mid or end of 2011), to cutting-edge management topics in theory and practice.

Today, factories' order books are full, but the lack of available labor has become a daily challenge to deliver in time. Comprehensive research with 70% of Lao garments factories showed the urgent need for enhanced training supervisory knowledge and skills, and training new recruits to become effective sewing operators. In the factories, supervisors are usually selected from the best operators. Most of these staff have few formal skills and currently only a few factories train supervisors in house. It is estimated that less than 20% of the line leaders, assistant line leaders or supervisors have had specific supervisory training .

To support the Lao garment factories best the GSC will start with a training pilot, scheduled for March 2011. The final GSC training program shall include two levels of training:



Traditional dyeing clothes by using nature colour



1. Training for supervisors, line leaders and assistant line leaders on productivity improvement, time and work study, line balancing and supervisory management
2. Train newcomers in two “real” production lines and on different sewing machines to become sewing operators

Participants of the future supervisory training will practice their knowledge and skills learned directly with the sewing operator lines guided by and advised by the trainer. The beauty of this combination is that both groups learn in theory and in practice to the immediate benefit of themselves and the garment factories. In the future, GSC trainings shall also be opened for students from Vientiane to start a new career and develop their skills for a management position in garment factories. A training schedule for 2011 has been set up to allow immediate registration. The location of The Association of Lao Garment Industry is at House No. 137/1, Souphanouvong Road, Sikhottabong district, Vientiane Capital; contract number: (021) 254 226, 214 450, 222 769, Fax: (021) 216 993.

Second sub-project: Sustainable Silk and Handicraft Production.

The objective of this sub project is to sustainably expand the production of high quality Lao silk to be sufficient for domestic consumption and reduce the need for imported silk yarn from other countries. To achieve this objective, two main activities have been implemented.

Firstly, in mid-2010, TPPD organized a contest of project proposals on sustainable Silk Production aimed at supporting the silk production in 3 parts of Laos- Central, Northern and Southern parts. Recently, TPPD and the appointed selection committee visited Sangthong district, Vientiane Capital which is one of the proposed areas for silk production by one of 4 lead firms submitted project proposals. In December, the team also visited silk production areas of 2 other lead firms in Xiengkhouang province as well as in Champasack province. The Committee is now in the process of selecting silk producing lead firms with the most potential.

Apart from providing support in terms of production, TPPD also provides support on the marketing side. TPPD, on behalf of the Ministry of Industry and Commerce and with the assistance of the TDF, provided financial support to the Lao Handicraft Association in organizing the 9th Lao Handicraft Festival held during November 1 - 5, 2010 at the Lao ITECC which showcased 200 handicraft booths. Prior to providing support for the festival event, TPPD had also facilitated LHA in preparation processes. Part of the support budget was used for conducting a number of training events on handicraft production and marketing in 7 provinces from the middle to southern areas. The support provided for the organizing of the 9th Handicraft Festival represents the intention of the MoIC to continue promoting Lao handicraft products that have been key symbols of Lao culture since ancient times.



Traditional spinning process

TRADE

FACILITATION

By: The Import-Export Department

1. CONCEPT OF TRADE FACILITATION:

Trade Facilitation has been a hot topic discussed in many international organizations since 1998. Trade Facilitation is described as a methodology to ease and simplify international trade procedures by reducing trade restraining regulatory burdens and documents. In broader terms, it is described as all regulatory measures that affect the importation, exportation and transit of goods including Customs Control Measures, Quality Control Inspection and Veterinary Inspection.



In summary, Trade Facilitation is about simplifying, harmonizing and modernizing international trade procedures in order to reduce costs of trading suffered by businesses.

2. BENEFITS OF TRADE FACILITATION:

A number of studies conclude that Trade Facilitation could make a significant contribution to National Socio – Economic Development and poverty reduction by:

1. Reducing the cost of production through shorter documentation and inspection procedures and leading to shorter times for customs clearance.
2. Helping the government to effectively collect revenue and reduce illegal transactions.
3. Increasing export competitiveness due to lower costs of production as a result of simple and easy export procedures and low trade compliance cost.
4. Ensuring market access for Small and Medium Enterprises (SMEs).
5. Attracting foreign direct investment into Lao PDR, which will boost National economic growth.

3. RESPONSIBLE AGENCIES:

A typical international trade operation includes a wide range of stakeholders from both the public and private sector. In Lao PDR, some of the primary stakeholders who play important roles in facilitating trade include the following:

3.1 Government Agencies

- Ministry of Industry and Commerce (Import-Export Department)
- Ministry of Finance (Customs Department)
- Ministry of Public Works and Transportation (Transport Department)
- Ministry of Agriculture and Forestry (Livestock and Fishery Department and Plantation Department)
- Ministry of Health (Food and Drugs Department)

The Second Lao-Thai Friendship bridge in Savannakhet Province



3.2 Private sector:

- Private sector and business representatives: Lao National Chamber of Commerce and Industry, Import – Export Association, buying agents, distributors and trading houses.
- Transport Service Providers: transport companies (shipping lines, airlines, railway companies), freight forwards, customs brokers
- Insurance and financing service providers: Banks, Insurance Companies.

4. TRADE FACILITATION UNDER TRADE DEVELOPMENT FACILITY (TDF):

The Ministry of Industry and Commerce, Department of Import and Export (DIMEX) is the lead agency for implementing Trade Facilitation Component under the TDF which composes of two sub-components (1). Lao PDR Trade Portal, and (2). Trade Facilitation Master Plan. DIMEX has enthusiastically and constantly implemented the aforementioned project with progressive stages as following:

1. An agreement on establishment and functioning of the Trade Facilitation Secretariat (TFS), under the National Steering Committee for Economic Integration (NSCEI), was signed by the Deputy Prime Minister, Minister of Foreign Affair, the President of NSCEI on 20 October 2010. This agreement is to identify the location, roles, responsibilities, rights, structure and framework of the TFS to be as a basis for implementing the TFS's function and to be as a coordination mechanism among related agencies with its aim to simplify trade procedure, remove trade barriers and boost trade.
2. In addition to establishing the TFS DIMEX, in cooperation with trade related agencies is working on finalizing Trade Facilitation Strategy and Action Plan which will be used as a basis for implementing the TFS's function. It is expected that this strategic paper will be proposed for the Government approval in early 2011.

For more information, please contact the Trade Facilitation Division of the Department of Import and Export, Tel: +856 21 454224, 412436-224, Fax: +856 21 413901.



ONE DISTRICT ONE PRODUCT

ODOP

MOVEMENT

By: the Economic Research Institute for Trade

The “One District One Product (ODOP)” movement is a key community development programme. The concept was originally established in the Oita Prefecture by the Japanese Government, and is now operational in many countries including Lao PDR. ODOP can generate income and increased employment in rural areas and can assist in reducing labour migration from rural to urban areas. The overall concept of the ODOP movement focuses on poverty reduction at the local area by supporting villagers to select competitive products made from local materials, using local wisdom, creativity and unique skills in order to produce and sell unique products with true value aimed at both the domestic and global markets.

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ODOP can support local producers and SMEs to better understand market requirements for their products. In the current context, villagers produce various products but have difficulty selling them. Most of the products produced are based on lowcapacity of production. This is



where ODOP assists through bringing in production experts to lead and guide them to study the market, to design, and to produce products based on consumers' needs and market demand. The ODOP movement can assist trained local producers to share their lessons and skills to other producers in different cities in order to make quality products available at different cities.

Following the ongoing pilot project, the ODOP concept is being spread around the country. Economic Research Institute for Trade, funded through the Trade Development Facility (TDF)- a multi-donor trust fund, implemented by the Ministry of Industry and Commerce conducted dissemination workshops on ODOP Development by using lessons learnt from Japan, Thailand and the pilot project in two provinces (Svannakhet and Saravanh provinces) of Lao PDR to share with other provinces in northern part, middle part and southern part of Lao PDR.



For more information please contact the Economic Research Institute for Trade of the Ministry of Industry and Commerce. Tel: +856 21 418074, email: erit_rpd@yahoo.com



THE LAO PDR

DIAGNOSTIC TRADE INTEGRATION STUDY



By: Official Development Assistance Division, Foreign Trade Policy Department

NSEDP 7: ECONOMIC INTEGRATION & 18% ANNUAL EXPORT GROWTH

The NSEDP 7th includes economic and trade integration as a key factor for the growth and development of Lao PDR, with growth leveraged upon targeted annual export growth of 18% p.a and imports of 8% p.a. As a means to implement the trade and promote sector development strategies of the NSEDP 7th, Lao PDR will work on and produce the Lao PDR Diagnostic

Trade Integration Study (DTIS) in 2011. Trade is a cross-cutting area, and consequently the DTIS will build on and reference to existing strategies such as the National Export Strategy (NES), SME Strategy, Trade Facilitation Strategy, and other trade related strategies.

The Study will be based on diagnostic work undertaken part of the Enhanced Integrated Framework process. The study will review opportunities and constraints that Laos faces with regard to international trade and define priorities and activities required to overcome the identified constraints and identify measures to achieve opportunities. It will assess where we are currently at and investigate what the pressing areas Laos will face in the coming years. For instance, what strategy do we need to follow to maximise benefits of participation as a member of the World Trade Organisation (WTO)? Additionally, what will the effect of growing resource (mineral & energy) exports have on other export sectors, where can synergies be developed and will this change the relative competitiveness of Laos' other exports?

HOW WILL THE DTIS BE DONE?

The DTIS takes place within the context of the Integrated Framework (IF). The IF process encourages Government, Private Sector and Development Partners to focus on a common goal of 'stimulating economic growth through promoting trade integration and exports oriented growth'. In the *enhanced* Integrated Framework (EIF) national Governments are encouraged to lead the DTIS which is at the heart of the IF process. As such, the EIF Trust Fund provides independently financed resources for countries to undertake this work, and Lao PDR has recently been successful in applying for \$400,000 to undertake this work. The DTIS will be led by the Government, using a mix of Officials, local consultants and international experts.

The process will be guided by Lao EIF Focal, the Vice Minister of the Ministry of Industry and Commerce, Mme. Khemmani Pholsena in close collaboration with the Ministry of Planning and Investment, other Government, private sector and Development Partner stakeholders in the form of the Review Committee. In essence, the Review Committee will comprise of the members of the Trade and Private Sector Development Sub-Group with additional invited participants. This will include the members of the Lao IF Secretariat, such as the Ministry of Finance, Ministry of Agriculture and Forestry, National Authority for Science and Technology, Ministry of Transport, private sector representatives such as LNCCI, and various Development Agencies involved in trade and private sector development in Lao PDR.

WHAT WILL BE INCLUDED?

The Review Committee will determine the final chapters and studies to be included in the DTIS. However, following initial consultations over the previous months, the current proposal focuses the analysis for the DTIS on three main sections. The first will analyse overall trade and private sector issues, looking at mainstreaming of trade in Laos and how to further coordinate aid delivery in the sector; a review of the macroeconomic setting, structure of trade and investment as well as policy and institutions. It will also look in detail at Lao PDR's impending WTO accession and the outlook once accession is complete as well as key issues with regard to Regional (such as ASEAN) and Bilateral trade.

The second section will look at cross-cutting issues related to trade and private sector development, such as Trade Facilitation (including logistics, customs, SPS/TBT); the general business environment and institutional framework; SME development new trade issues, such as Intellectual Property Rights, Consumer Protection and Competition Policy; as well as sustainable trade looking at links with poverty, gender and environmental factors.

The final section will be focused on action plans for the National Export Strategy and include analysis and strategy on the key priority sectors for development over the coming period.

Lao PDR's previous and only diagnostic trade integration study (DTIS) of this kind was completed in 2006 and laid the base for significant progress in tackling constraints, as well as leading to large development assistance projects such as the \$6.8m Trade Development Facility, the IF Window II project, a \$4m Swiss funded UN Trade Cluster programme in addition to others. The new DTIS will likewise be critical in creating a prioritised strategy and set of activities termed the Action Matrix, based on robust analysis and reference to related strategies in order to attract and guide resources and reforms to assist Laos in trade and private sector development in a consolidated development programme.

WHAT IS THE TIMING?

The Review Committee is currently in the process of being established, with the first meeting scheduled for February or January. Following this, the team of technical experts will be mobilised and the analysis will begin in the first quarter of 2011, with initial results and drafts available by the end of the second quarter 2011, after which the DTIS will be finalised and submitted for official approval in the third or fourth quarter of the year.

We look forward to working with all partners in developing this important strategy and the programme to support its implementation.

TRADE SOURCE AND DESTINATION TRENDS

By: The Official Development Assistance Division, Foreign Trade Policy Department

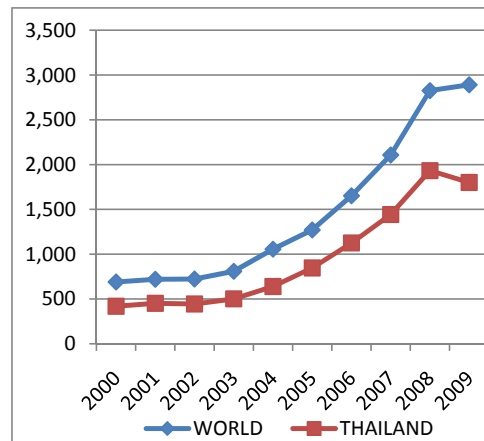
This section provides a short overview of some key import and export trends between Lao PDR and selected major trading partners. The trends have changed in the direction and value of trade over the last 10 years, as well as more results information on quarterly basics.

IMPORT TRENDS

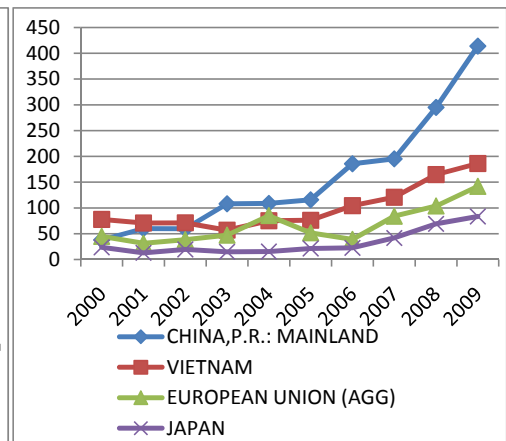
Over the last decade imports into Lao PDR have risen by more than four times their value in 2000 to reach \$2.9bn for 2009. Over this period imports from Thailand have been dominant and consistently account for over 60% of total imports. Over recent years imports from China have accelerated rapidly, increasing their share from 5% to 14% of all imports equating to an increase in value of \$376m or more than 10 times their value in 2000.

Recent Trends: Total imports increased every quarter from Q1 2009 to Q1 2010, but saw a fall in total value of \$87m in the second quarter of 2010, predominantly caused by reduced imports from both Thailand and China. Imports from Vietnam have remained relatively stable, while EU exports to Lao PDR spiked in Q3 2009.

Lao PDR Annual Imports World Total & Thailand (US\$m)

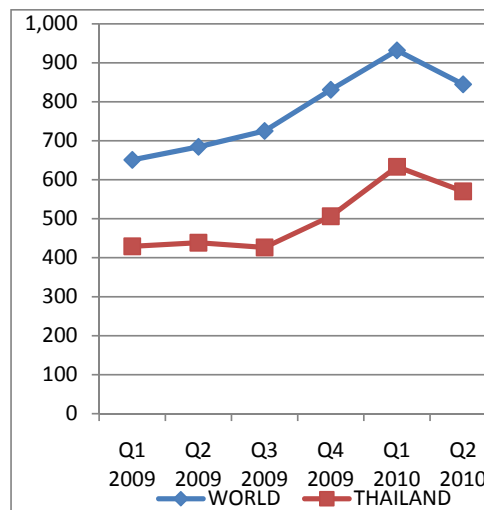


Lao PDR Top 5 Annual Import sources (Excl. Thailand) (US\$m)

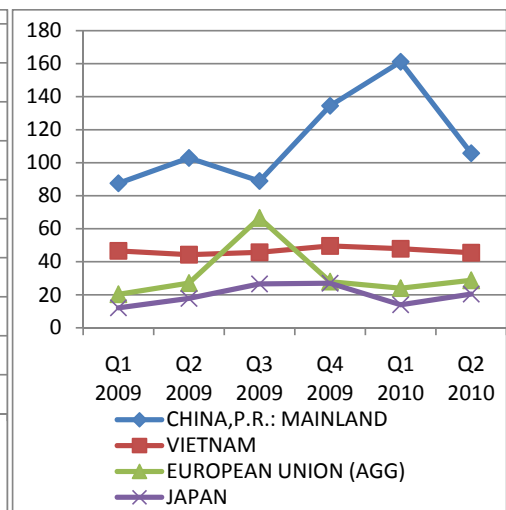


Source: IMF DOT

Lao PDR Quarterly Imports World Total & Thailand (US\$m)



Lao PDR Top 5 Quarterly Import Sources (Excl. Thailand) (US\$m)



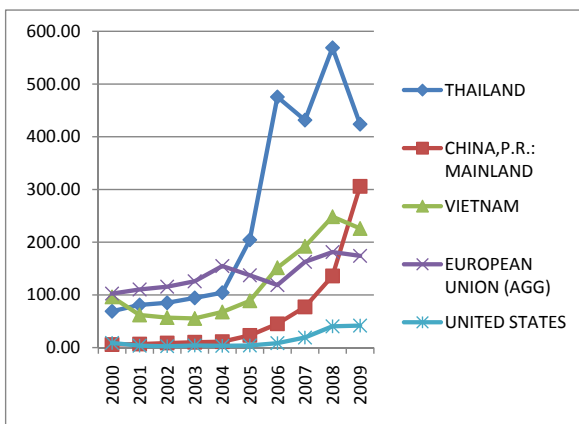
Source: IMF DOT

EXPORTS TRENDS

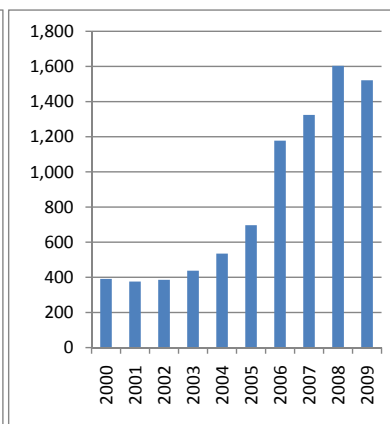
Over the last decade: Generic growth in Lao PDR has been supported by rapid growth in exports. Looking at the ten year trend Lao PDR, exports increased almost fourfold from around \$400m in 2000 to a peak of approximately \$1.6bn in 2008. However, the effects of the global economic crisis led to overall exports decreasing in 2009, a trend we can now see being reversed in 2010. About mid-way through the decade Thailand took over from the European Union as the most important export destination, with rapid growth of Lao export through to Thailand. Exports to Vietnam and the EU have also increased but China is now the fastest growing export market for Lao PDR.

Recent trends: Exports have been showing a steady increase in value over the last year. Export growth to Thailand, China and the quarter EU has been particularly strong, with China eclipsing Thailand as the top export destination for 2010-Q2.

Lao PDR Annual Exports (US\$m)

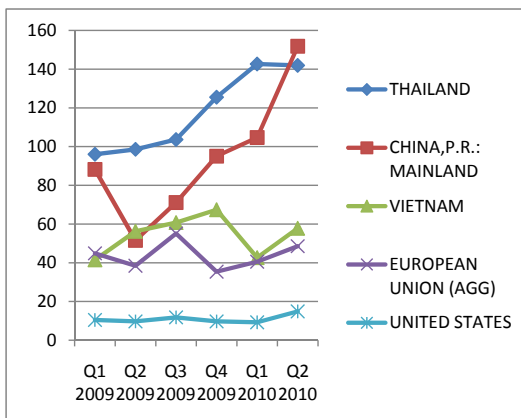


Lao PDR Annual Total Exports (US\$m)

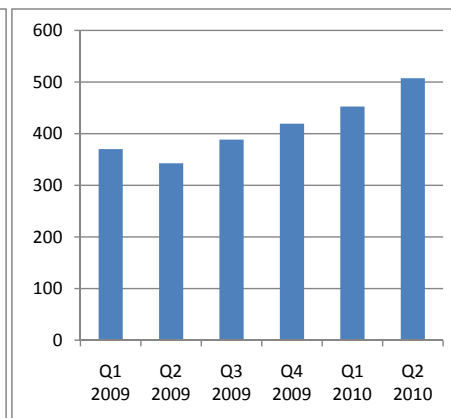


Source: IMF DOT

Lao PDR Annual Exports (US\$m)



Lao PDR Annual Total Exports (US\$m)



Source: IMF DOT