Statement by H.E. Nam Viyaketh, Minister of Industry and Commerce, Lao PDR

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Honorable Ministers, Distinguished Ladies and Gentlemen,

I would like to take this opportunity to briefly discuss how we are 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 by 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 7.1 percent during 2001-2010 and is expected to increase to 7.5-8 percent during 2011-2015. At this pace, Lao PDR is on track to achieve its long term vision: to graduate from Least Developed Country (LDC) status by 2020.

In the five years since 2006, Lao PDR’s trade with the rest of the world has grown substantially. The value of both exports and imports has more than doubled. Lao PDR is an active member of ASEAN, and in the final stages of accession to the World Trade Organization.

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), 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 National Social Economic Development Plan (NSEDP) 7, which contains a strong focus on accession to the WTO. We hope and expect that all requirements for this important process will be complete by the end of the year.

Over the years, and with particular acceleration since 2006, we have passed necessary laws and regulations and ensured that they are now all in line with WTO requirements. With the support of partners and projects identified in the Diagnostic Trade Integration Study (DTIS) 2006 we are now well advanced in the reform of our licensing regime, customs valuation, Sanitary and Phytosanitary measures and Technical Barriers to Trade and Intellectual Property requirements. We have also reformed numerous other areas, including trading rights; import regulations; foreign exchange and payments; pricing policy; the investment
regime; industrial policy; internal taxes; fees and charges and compliance with WTO export restrictions.

It will be a challenge, however, to implement many of these regulations effectively, and to ensure that the benefits of the reforms are maximised.

In Lao PDR we have made the decision to view ourselves as a “land-linked” country, rather than a “land-locked” country. Therefore, 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. However, non-customs agencies have lagged behind and the cost of a landlocked supply chain taxes competitiveness. Encouraging steps have been taken to improve inter-agency border coordination through the establishment of a National Trade Facilitation Secretariat in 2010, and the approval by Cabinet of a National Trade Facilitation Strategy and Action Plan in 2011. Efforts are being made to publish information on trade-related processes and procedures as a part of related efforts to harmonize and simplify redundant border requirements. However, while much of the higher level legal framework now meets WTO norms in terms of transparency and non-discrimination, lower level technical implementation lags behind, resulting in fewer than anticipated actual benefits to the private sector.

Since 2006 we have worked hard at increasing the ownership and effectiveness of our trade programme. Developments to date have given us the confidence to take charge of the diagnostic and programatic planning requirements within the Enhanced Integrated Framework (EIF), and to proceed with a nationally led Diagnostic Trade Integration Study (DTIS). Our approach has been gradual, with a focus on the involvement of all key partners, including Government, the private sector and development partners, to build a common country ownership.

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. The investment of these projects in the capacity of the National Implementation Unit (NIU) and overall Governance structure has also meant that other projects such as the UN Trade Cluster project can be more easily coordinated through the NIU, aligned to the Government Financial Year, and based on government procedures for nationally implemented activities.

Lastly, we have also harmonised the steering committees for the TDF, the EIF and the UN Trade Cluster project 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 government priorities, and work 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.

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