



**Agency for International Trade  
Information and Cooperation**

July 2007

**Report on AITIC-ITC-MoIC National Workshop**  
**Trade Policy Opportunities and Development Challenges**  
**for Lao People's Democratic Republic**

**17-18 July 2007**  
**Lao Plaza Hotel, Vientiane, Lao PDR**

## **I. Objectives**

1. The two-day workshop convened government officials, civil society and private sector representatives to raise awareness of and explore ways forward on trade and development policy issues for Lao People's Democratic Republic (PDR). Donor and international organisation delegates were also invited for a stocktaking of preparations in launching the Enhanced Integrated Framework (EIF) in Lao PDR.

## **II. Issues Discussed**

2. Thematic sessions on the first day, dedicated to Lao PDR's position in the multilateral trading system, focused on:

- Implications for Lao PDR's WTO accession of the current state of play in the Doha Work Programme negotiations
- An exchange of lessons learnt from Cambodia's experience with WTO accession
- Progress and the way forward for Lao PDR's accession
- Sectors with export and development potential in the Laotian economy

3. The second day discussed the trade and development interface and stakeholder participation and coordination in the delivery of trade-related technical assistance.

- How to make the IF a success: lessons from Cambodia
- Aid for Trade: outstanding issues and institutional challenges
- Private sector opportunities and assistance needs under the EIF
- The status of preparations for the launching of the EIF in Lao PDR

## **A. Doha Work Programme: State of Play and Implications for Lao PDR**

4. The five provisional decisions on special and differential treatment (S&D) treatment for least-developed countries (LDCs) (Annex F Hong Kong Declaration) are of crucial importance to Lao PDR. Irrespective of how the Doha negotiations develop, the government can invoke “the spirit of Annex F” when seeking duty-free, quota-free market access in accession negotiations or when asked to make commitments beyond its capacities. Lao PDR could refer to the December 2002 Decision on LDC accession to secure appropriate S&D.

## **B. The Cambodian Experience with WTO Accession and Post-Accession Issues**

5. The government of Cambodia established a roadmap with timelines and targets for WTO accession and set up an inter-ministerial committee. Task Forces dealing with specific issues were formed to respond to WTO members’ questions on Cambodia’s trade regime memorandum. Training and keeping on board skilled personnel is a central challenge. Faced by mounting pressure in the negotiations, Cambodia sought support from countries of the Association of South East Asian Nations (ASEAN). A grace period was obtained for the introduction of certain legislation. The terms of Cambodia’s accession and the question of how much WTO membership has benefited the Cambodian people and economy remain contested until today. Some claim Cambodia has exceeded commitments of most more advanced WTO members. However, data suggest a positive development after WTO accession in terms of economic, trade and investment growth. Lao PDR should consult all stakeholders and carefully assess all options available before entering certain commitments, even if it means a delay to the process.

## **C. Lao PDR’s Accession to the WTO: Progress and the Way Forward**

6. After Lao PDR submitted various actions plans for implementation of accession commitments in July 2007, a third Working Party meeting is expected for the end of 2007. Lao PDR aims to graduate from LDC status by 2020 with trade making a substantial contribution. Adding value and diversifying exports are the key trade strategies. WTO accession is seen as an opportunity to lock in trade policy reforms and ensure transparency in market access and trade rules. Coordination among ministries and between central and provincial government authorities is essential in trade policy formulation. WTO accession is a demanding process and for the road ahead, Lao PDR will need institutional and human resource capacity-building.

## **D. Lao PDR Export Potential**

7. Lao PDR benefits from preferential tariff rates through 35 Generalised System of Preference (GSP) schemes. Exports made up 27.6 per cent of gross domestic product (GDP) in 2005. Electricity, garment, gold, timber, tin, gypsum and barite top the list of exports. Main destinations are Thailand, Australia, Vietnam, France, United Kingdom, Malaysia and Germany. A number of sectors were identified as priorities by an ITC Export Potential Assessment Study using

indicators of world market developments, domestic supply conditions and current export performance. Rice, fruits and vegetables, handicrafts and tea have a high socioeconomic potential, determined by factors, such as employment generation and the level of women employment. Rules of origin and *ad hoc* trade policy changes at the provincial level are significant trade barriers. Moreover, challenges emerge within companies, such as limited marketing expertise and low productivity, and at the trade support level, including lack of export financing schemes and availability of training.

#### **E. Integrated Framework, Enhanced Integrated Framework, Lessons Learned from the IF Process in Cambodia**

8. Cambodia was selected as one of three pilot countries for the revamped IF in May 2001. Several factors contributed to the IF success in Cambodia: A coherent trade strategy was adopted which was closely integrated with the country's overall development strategy and included analysis and dissemination of relevant information. The government established effective stakeholder coordination and consultation mechanisms. Moreover, trade policy networks were developed with the support of local research institutions and civil society was brought on board through outreach activities. The EIF will fund projects under Tier 1 aimed at further strengthening country ownership and implementation capacities. More and predictable (up to USD 12 million) resources will be available under Tier 2 for jump-starting priority projects in the Action Matrix. The EIF is expected to be formally launched in end-2007.

#### **F. The IF Process in Lao PDR: Progress, Challenges, Opportunities and the Way Forward**

9. Four projects are being implemented in Lao PDR under Window II of the IF. In addition, the government is raising approximately USD 10 million from Australia, the European Commission, Switzerland and the World Bank in a Trade Development Fund. Implementation of EIF programmes will be managed by the National Implementation Unit (to be set up within two months) with the support of project units. Coordination and supervision will be performed by a national IF Secretariat, a Trade Executive Committee and a Trade Development Fund Steering Committee. Overall policy decisions will be made in the National Steering Committee. Lao PDR needs to strengthen its capacity to absorb aid. This includes building human capacities; reducing transaction costs; and improving interministerial and donor coordination as well as private sector participation. Launching and implementation of the EIF over the next six months will be guided by the Vientiane Declaration on Aid Effectiveness of November 2006, which applies the principles and requirements of the Paris Declaration to the national context.

#### **G. Aid for Trade: State of Play**

10. A number of institutional challenges and outstanding questions remain since the adoption of the Aid for Trade (AFT) initiative. The bulk of funding is expected to be channelled bilaterally, which raises concerns with coherence and conditionalities. It is important to avoid a "beauty contest" among donors and agencies. Recipients are increasingly sceptical towards tied aid. The OECD's

Creditor Reporting System (CRS) will monitor global AFT flows and the WTO's Trade Policy Review Mechanism (TPR) will address AFT impacts. An annual AFT session will be held by the General Council and the Committee on Trade and Development is conducting periodic reviews.

## **H. How the EIF Benefits the Business Community**

11. The EIF is a reliable source of funding for addressing supply-side constraints, a major concern for most businesses in developing countries. Lao PDR's Action Matrix focuses on enhancing competitiveness in agriculture and light manufacturing (e.g. garment, silk, handicraft); tourism development; and micro, small and medium enterprise support. The private sector can benefit from assistance on complying with market requirements, and fostering linkages in potential new markets.

## **I. Private Sector Assistance Needs: Garments**

12. A large majority of Laotian garments is exported to the EU. Garment exports are growing, particularly to the US. Lack of skills and technical know-how limits the industry's ability to expand. Donors provide short-term training for senior-level employees only. Foreign-owned factories recruit international capacity-building specialists while domestically-owned companies have to improvise training activities. Garment manufacturing needs to be upgraded in terms of productivity, quality management, product development, marketing and international certification. Cheaper transport, easier access to finance, and more flexible work hours would also benefit the industry's export capacity.

## **J. Roundtable on Aid Coordination**

13. Participants: Ms Khemmani Pholsena, Vice-Minister, MoIC; Dr Esperanza Durán, Executive Director, AITIC; Mr Sok Siphana, Director DTCC, ITC; Mr Michael Hassett, First Secretary, AusAID, IF Donor Facilitator; Mr Stéphane Vigié, Deputy Resident Representative, UNDP; Ms Amanda Sunassee, IF Facilitator Specialist, Ms Ekaterina Vostroknutova, Country Economist, World Bank.

14. A priority for the Laotian government is to encourage donors to channel resources via the multilateral trade development fund and make use of the implementing institutions that will be set up. The government's aid delivery mechanism needs to fully integrate the activities of those donors unable to make resources available through the trade development fund. Coordinating trade-related assistance is a specifically challenging task because stakeholders are widely dispersed across ministries and within the private sector. It is hoped that an increasing share of official development assistance will be provided in the form of budget support and implemented by structures established by the government. The trade development fund was set up to ensure a predictable flow of resources, align support measures with multi-year work plans and streamline monitoring and evaluation procedures. It is expected to be operational by November 2007.

## List of Acronyms

AFT	Aid for Trade
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
CRS	Creditor Reporting System
DTCC	Division for Technical Cooperation Coordination
EIF	Enhanced Integrated Framework
EU	European Union
FTPD	Foreign Trade Policy Department
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
IF	Integrated Framework
ITC	International Trade Centre
MoIC	Ministry of Industry and Commerce
OECD	Organisation for Economic Co-operation and Development
PDR	People's Democratic Republic
S&D	Special and differential treatment
TPR	Trade Policy Review
UNDP	United Nations Development Programme
WTO	World Trade Organization

Ministry of Industry and Commerce



Agency for International Trade

Information and Cooperation

## National Workshop: Trade Policy Opportunities and Development Challenges

17-18 July 2007, Lao Plaza Hotel, Vientiane, Laos

Jointly organized by: MOIC, AITIC and ITC

### Programme

#### Tuesday, 17 July 2007

- 08.00 – 08.30 **Registration of Participants**
- 08.30 – 09.15 **Opening Remarks**  
Speaker: HE Dr Nam Viyaketh, Minister, MOIC  
Dr Esperanza Durán, Executive Director, AITIC  
Mr Sok Siphana, Director DTCC, ITC
- Session I** **Laos in the Multilateral Trading System**
- 09.15 – 10.00 **Doha Work Programme: State of Play and Implications for Laos**  
Speaker: Dr Esperanza Durán, Executive Director, AITIC
- 10.00 – 10.15 **Discussion**
- 10.15 – 10.30 Coffee Break
- 10.30 – 11.15 **Cambodian experience with WTO Accession and Post Accession Issues**  
Speaker: HE Mr Suos Someth, former Ambassador of Cambodia to the WTO
- 11.15 – 12.30 **Discussion**
- 12.30 – 13.30 Lunch
- 13.30 – 14.30 **Laos' Accession to the WTO: Progress and the Way Forward**  
Speaker: HE Mrs Khemmani Pholsena, Vice Minister, MOIC
- 14.30 – 14.45 **Discussion**
- 14.45 – 15.00 Coffee Break
- 15.00 – 15.45 **Laos' Export Potential**  
Speaker: Mr Alain Chevalier, Senior Trade Promotion Adviser, ITC

15.45 – 16.00 **Discussion**

**Wednesday 18 July 2007**

08.00 – 08.30 Registration of Participants

**Session II Integrated Framework (IF) and Trade-related Technical Assistance in Laos**

08.30 – 09.30 **Integrated Framework, Enhanced Integrated Framework, Lessons learned from IF Process in Cambodia**

Speaker: Mr Sok Siphana, Director DTCC, ITC

09.30 – 09.45 **Discussion**

09.45 – 10.30 **IF process in Laos: Progress, Challenges & Opportunities and the way forward**

Speaker: Mr Santisouk Phounesavath, Deputy Director, FTPD, MOIC

10.30 – 10.45 **Discussion**

10.45 – 11.00 Coffee Break

11.00 – 11.45 **Aid for Trade: State of Play**

Speaker: Dr Esperanza Durán, Executive Director, AITIC  
Mr Christian Dahm, Trade Affairs Officer, AITIC

11.45 – 12.00 **Discussion**

12.00 – 13.00 Lunch

**Session III Private Sector and Trade Integration**

13.00 – 13.45 **How the EIF Benefits the Business Community**

Speaker: Ms Lilia Naas, Senior Trade Promotion Officer, ITC

13.45 – 14.00 **Discussion**

14.00 – 14.45 **Private Sector Assistance Needs: Garments**

Speaker: Mr Onesy Boutsyvongsak, President, Association of the Lao Garment Industry

14.45 – 15.00 **Discussion**

15.00 – 15.15 Coffee Break

15.15 – 16.15 **Roundtable on WTO Accession and Effective Aid Coordination**

Panelist: HE Mrs Khemmani Pholsena, Vice Minister, MOIC, IF Focal Point  
HE Mr Stéphane Vigié, Deputy Resident Representative, UNDP  
Dr Esperanza Durán, Executive Director, AITIC  
Mr Michael Hassett, First Secretary, AusAID, IF Facilitator  
Ms Amanda Sunassee, IF Facilitator Specialist  
Ms Ekaterina Vostroknutova, Country Economist, World Bank

16.15 – 16.30 **Programme Evaluation and Concluding Remarks**



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**Participants**

<b>No:</b>	<b>Institution</b>	<b>Name/Surname</b>	<b>Function</b>
1.	Association of Agriculture Processing	Mr Vilakone CHANTHAPHONH	Assistant
2.	Association of Lao Garment Industry	Mr Nouluk PHOUMALAY	Head of Cabinet
3.	AusAID	Ms Phanthaleone CHAMPASITH	Program Officer
4.	Australian Embassy	Mr Michael CREAGH	Chargé d'Affaires
5.	Australian Embassy	Ms Emily RUSSELL	Second Secretary
6.	Bank of the Lao PDR	Mr Dceomanivone VILAYVIENG	Office

7.	Bank of the Lao PDR	Mr Panom LATHOULY	Deputy-Director General
8.	Committee for Planning and Investment	Ms Somphat KINGSADA	Technical Staff
9.	Committee for Planning and Investment	Ms Phonevarh OUTHAVONG	Deputy-Director General
10	Department of Industry, Ministry of Commerce and Industry	Mr Samly BOUTSADY	Deputy Division Head
11	Department of Roads, Ministry of Communication, Transport, Post and Construction	Ms Khamphet CHONNINGNARAG	Senior Engineer
12	Export Import Department, Ministry of Commerce and Industry	Mr Sonemala NOUANTHASING	Technical Staff
13	Foreign Trade Policy Department, Ministry of Commerce and Industry	Ms SOUKALOUN Pang	Project Staff
14	Lao Coffee Association	Mr Sinouk SISOMBAT	PT
15	Lao Handicraft Association	Ms Nathauphone SOUTHICHAK	Director
16	Lao National Chamber of Commerce and Industry	Ms Souphanith JOUNNARATH	Technical Staff
17	Lattoma Trading	Mr Vilaya SAMOUBAME	Vice-President
18	MAR	Inthaolom ARKHONATH	Deputy Director
19	Ministry of Agriculture and Forestry	Mr Samlane KHAMPASERTHLA	Technical Staff
20	Ministry of Commerce and Industry	Mr Thongdy KOUNNAVONG	Deputy Division Head
21	Ministry of Commerce and Industry	Mr Phouvanh SYDOUANG	Branel Mancyor
22	Ministry of Commerce and Industry	Mr Sukravanh SAYARATH	Chief of Division
23	Ministry of Commerce and Industry	Ms Viphachanh OPMA	Technical Staff
24	Ministry of Commerce and Industry	Mr kingxay CHOUNLAMOUNTHY	Trade Officer
25	Ministry of Commerce and Industry	Ms Dam DOOAME	Technical Staff
26	Ministry of Commerce and Industry	Mr Phouthong BOUNTAVONGKHAM	Technical Staff
27	Ministry of Commerce and Industry	Mr DAOPHET	Officer
28	Ministry of Commerce and Industry	Ms Malaykham PHILAPHONE	Officer
29	Ministry of Communication, Transport, Post and Construction	Mr CHALAM	Director
30	Ministry of Education	Mr TENGSANPHEN	Deputy Division Head

31	Ministry of Education	Mr Darasack RATSAVONG	Head of Division
32	Ministry of Finance	Ms Phoummaly PHONBOUN	Deputy Division Head
33	Ministry of Justice	Mr Souphasith LOVANHXAY	Deputy Head of Department
34	Ministry of Justice	Mr Vongsavan NUANNAVONG	Technical Staff
35	Ministry of Public Security	Ms Inpan YATHTIVONG	Head of Division
36	MOD	Mr Maysakham BOUATHONGTHIP	Division Chief
37	Prime Minister's Office	Mr Virasaty SOMBOUNKHAN	Deputy Chief
38	Production and Trade Promotion Department, Ministry of Commerce and Industry	Mr Phouvong PHOMMABEUTH	Deputy Head of Department
39	Vattana trading	Mr VATTHANA	Vice
40	Vice of Procurement	Ms PHONANGMALAY	Technical Staff
	<b>Speakers</b>		
41	AITIC	Dr Esperanza DURAN	Executive Director
42	Association of the Lao Garment Industry	Mr Onesy BOUTSYVONGSAK	President
43	AusAID	Mr Michael HASSETT	IF Facilitator
44	International Trade Centre	Mr Siphana SOK	Director
45	International Trade Centre	Mr Alain CHEVALIER	Senior Trade Promotion Adviser
46	International Trade Centre	Ms Lilia NAAS	Senior Trade Promotion Officer
47	Ministry of Industry and Commerce	HE Dr Nam VIYAKETH	Minister
48	Ministry of Industry and Commerce	HE Ms Khemmani PHOLSENA	Vice-Minister
49	Ministry of Industry and Commerce	Ms Amanda SUNASSEE	IF Facilitator Specialist
50	Ministry of Industry and Commerce	Mr Bouavanh VILAVONG	Deputy Head of Division
51	Ministry of Industry and Commerce	Mr Santisouk PHOUNESAVATH	Deputy Director
52	UNDP	Mr Stéphane VIGIÉ	Deputy Resident Representative
53	World Bank	Ms Ekaterina VOSTROKNUTOVA	Country Economist
54		Mr Someth SUOS	Former Ambassador of Cambodia to the WTO