

Mekong Forum 2017

Re-adjusting Trade and Foreign Direct Investment Strategies for the GMS

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14 July 2017

Key presentation

- ▶ Highlights of geopolitical changes
- ▶ Impact of geopolitical changes on Lao trade and investment
- ▶ Lao trade and investment repercussions from geopolitical shift

Highlights of Geopolitical Shift

- ▶ US and EU struggle with a prolonged economic downturn
- ▶ World experiences rising new world political and economic powers from the South, e.g. China, Japan, South Korea and India
- ▶ New economic powers seem to create a new economic model which is different from the western model, e.g. One belt one road
- ▶ Rising new global economic power, e.g. China and India, helps developing countries to have more voices in global economic development
- ▶ South-South economic cooperation is likely to concentrate on escalating trade between partners and no issues of democracy and politics as pre-condition for cooperation

Geopolitical changes and Laos

- ▶ As a landlocked and small economies Laos views the geopolitical changes as a positive impact on trade and investment
- ▶ Bilateral trade and investment cooperation within the region and new emerging economies are crucial for promoting Lao economic development recently
- ▶ Lao government gives priority to promote economic connectivity under GMS economic corridors, and Chinese One Belt One Road (e.g. Laos–Chinese railway can boost trade and reduce costs)
- ▶ To catch up with global economic changes, Laos also actively pursues the openness policy and deepens regional and global economic integration
- ▶ To develop country's industry and trade amidst of geopolitical changes, Lao industry and trade strategy 2016–2025 strongly illustrates three main tasks of development: *Maximizing the deepening economic integration*, *Improving business enabling environment* and *Enhancing enterprise competitiveness*.

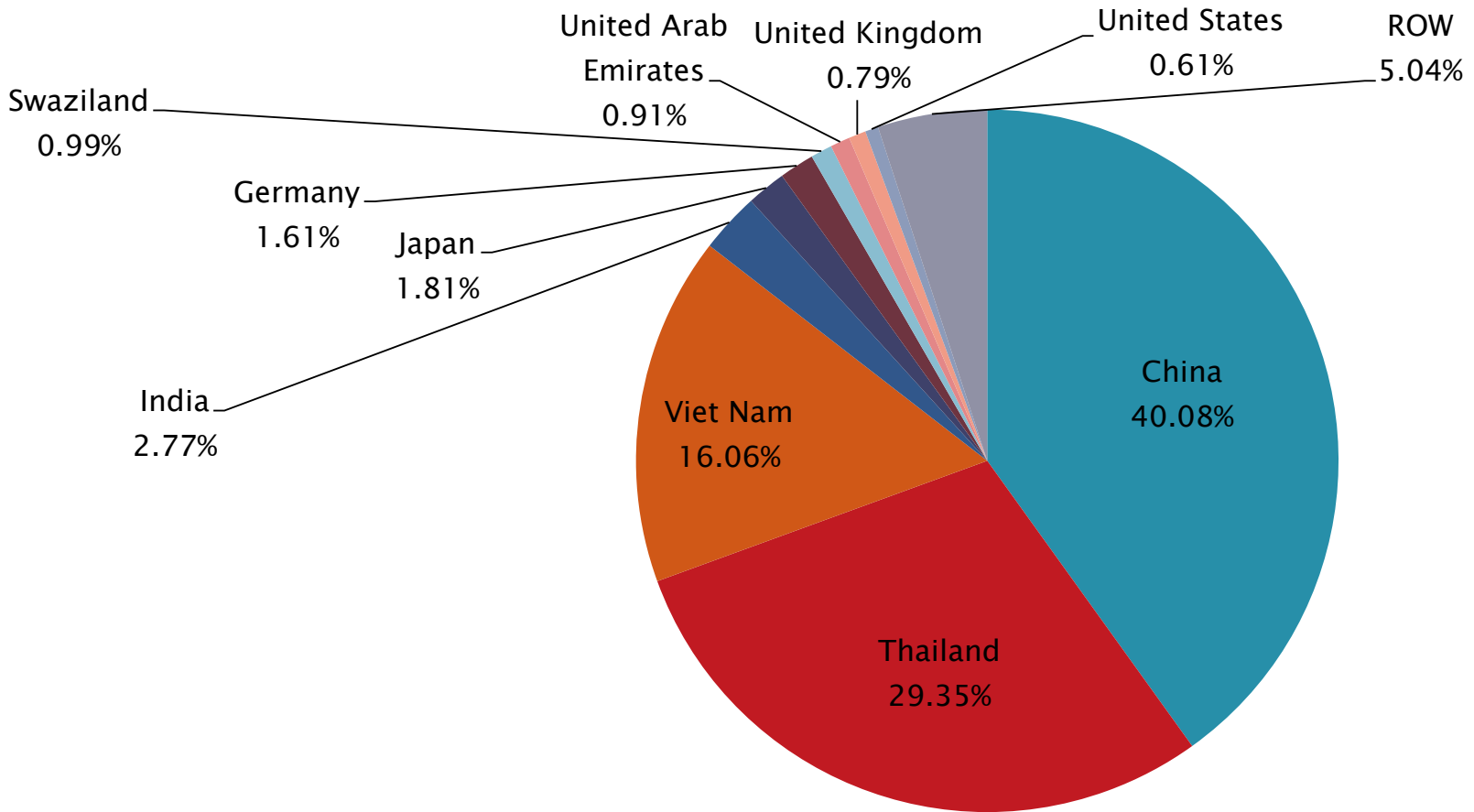
Laos Economic outcomes

- ▶ Laos has trade relations with more than 50 countries and within those 47 countries granted unilateral and reciprocal tariff preferences
- ▶ Laos signed trade-related agreements with 18 countries e.g., China, Chinese Taipei, Malaysia, Vietnam, Thailand, India, Korea DPR, Kuwait, Russian and US
- ▶ There are 36 countries granted Laos the Generalized System of Preferences (GSP), e.g. the European Union (Everything But Arms: EBA), Australia and Japan
- ▶ Laos expands market access under AFTA, WTO, APTA.
- ▶ Laos border trade benefits from tariff preferences / exemption under special policy of Thailand, Vietnam and China

Summary: Trade and Geopolitical Changes

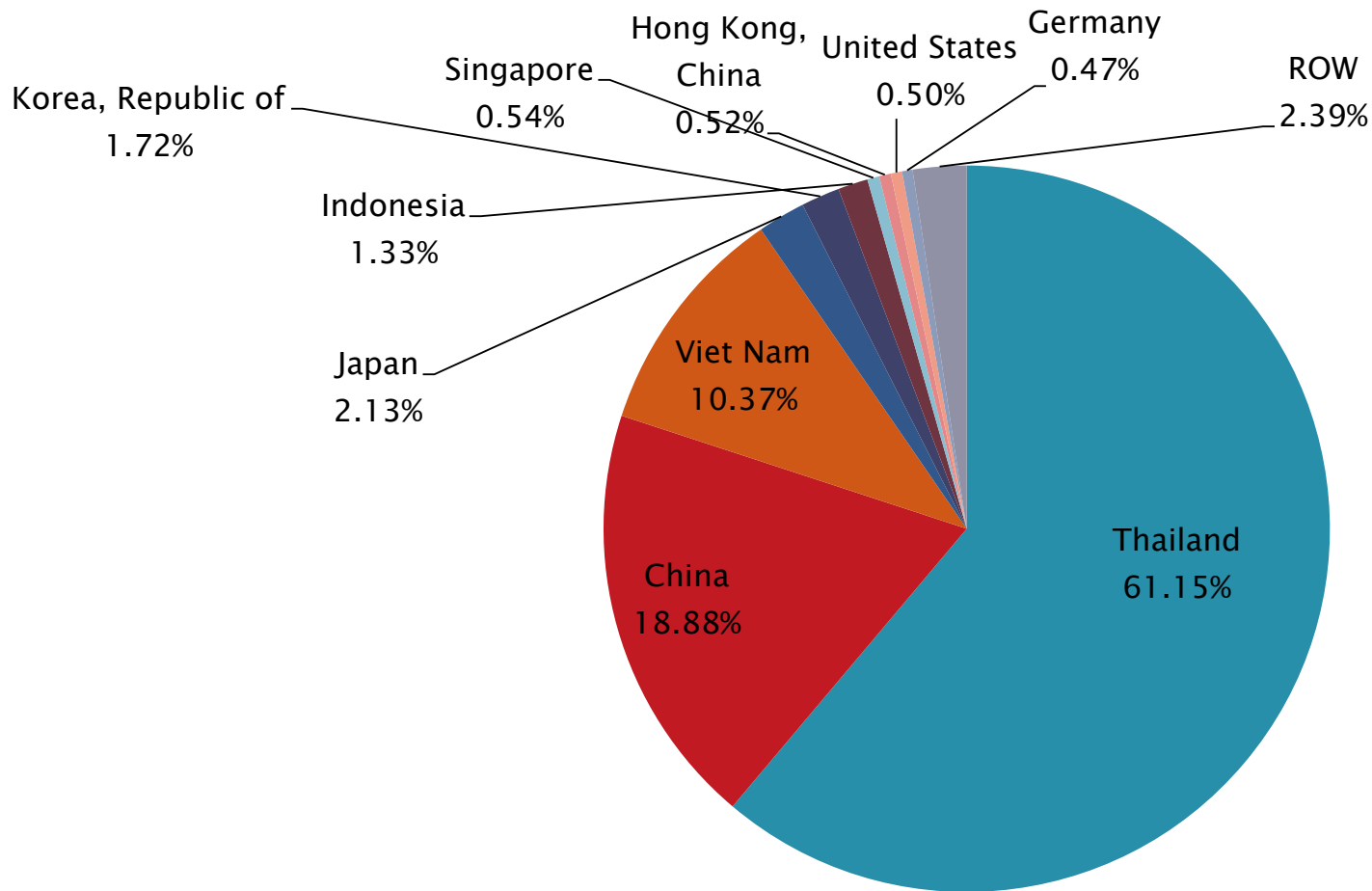
- ▶ Lao trade has benefited from economic stability in the region
- ▶ Most of its export and import are in neighboring countries and the region
- ▶ Trade under regional and bilateral agreements play very important role in driving both export and import growth
- ▶ Bilateral trade in practice brings about relaxing trade restrictions in terms of non-tariff barriers (NTB) and technical barrier to trade (TBT) – thus make trade growth between countries

Top 10 exporting markets of Laos in 2016



Source: International Trade Centre (ITC)

Top 10 importing markets of Laos in 2016



Source: International Trade Centre (ITC)

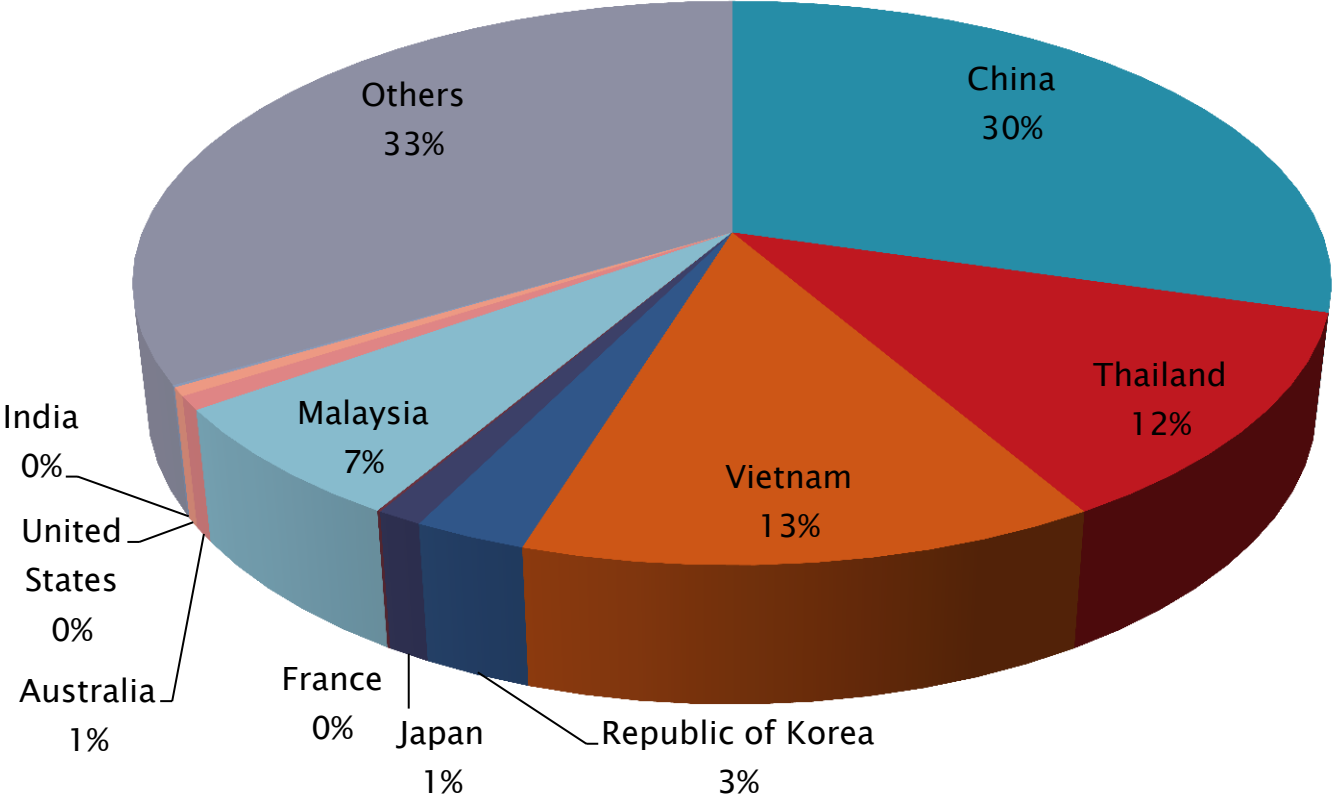
Laos Investment Promoting amidst Geopolitical Changes

- ▶ Government offers number of attractive investment incentives e.g. exemption from import duties and taxes on raw materials and capital equipment's using for production, exemption from export duty on export products, and offering up to 10 years tax holidays
- ▶ Special economic zones (SEZs) are a main driving force of manufacturing development and promoting export diversification
- ▶ Government strongly encourage investors to invest in and develop the SEZs with more liberal trade regimes

Laos Investment Promoting (cont.)

- ▶ Chinese investments in recent years have boosted investment development in Laos and now Laos becomes one of three largest recipient countries of Chinese investments in LDCs
- ▶ The main sectors of Chinese investment in Laos are commercial crop planting and hydropower
- ▶ So far Laos carried out 17 hydropower projects between 2011 – 2015 which included 7 projects from Chinese investors
- ▶ Investors within ASEAN also play an important role, particularly from Thailand, Vietnam and Malaysia in services and agriculture

Top 10 foreign investments in Laos



▶ Source: Ministry of Planning and Investment, Lao PDR

Thank you for your attention!