

Lao ADVANCE Project



LAO-08-012

M E M O R A N D U M

TO: Chanyut Nitikitpaiboon
GDO USAID RDM, Asia (RDM/A)

FROM: Victoria Waite
Project Director
Contract No. 486-I-00-07-00008-00, Task Order 02

DATE: 11 July 2008

SUBJECT: Lao BTA/WTO Project Quarterly Report: April - June 2008

SUMMARY OF PROJECT

The Assistance to Lao BTA Compliance and WTO Accession (Lao BTA/WTO Project) program is the second task order awarded under the ASEAN Development Vision to Advance National Cooperation for Economic Integration (ADVANCE), a five year indefinite quantity contract of the U.S. State Department and U.S. Agency for International Development. The task order was awarded in December 2007; Lao BTA/WTO Project activities were launched in early January 2008.

The objective of the Lao BTA/WTO Project is to support the Government of Laos' (GoL) --- primarily through the Ministry of Industry and Commerce (MOIC) --- efforts to implement reforms necessary to move Laos towards its goal of accession to the World Trade Organization (WTO); to successfully implement the U.S.-Lao Bilateral Trade Agreement (BTA); and to fulfill its commitments, along with the other ASEAN member nations, of achieving an ASEAN Economic Community by 2015 as outlined in the Vientiane Action Program and the AEC Blueprint. These three paths—multilateral, bilateral, and regional—have a common core of commitments, giving ADVANCE the opportunity to deliver one technical assistance package to help Laos achieve progress in all three. The program envisions the provision of related, targeted technical assistance and training to relevant line Ministries and the National Assembly.

Victoria Waite, a Managing Associate at Nathan Associates, is the Project Director and Trade Specialist and will manage the Lao BTA/WTO Project from headquarters in Arlington, Virginia. Her primary counterpart in the MOIC's Foreign Trade Policy Department is Ms. Latthana Douangboupouha. Together they will work to ensure that the work plan activities are implemented on behalf of USAID, other USG agencies, and the Government of Laos.

CURRENT STATUS OF ALL ACTIVITIES AND PROGRESS

For the second quarter of 2008, the Lao BTA/WTO Project helped translate trade-related laws and decrees into English and implemented the June 19-20 Trade in Services Workshop. Although, we attempted to schedule additional activities during the second quarter, timing and schedules (for both the MOIC and project consultants) tended to delay events due to prior commitments. However, there are a number of project activities that are currently in the preparatory stages and are scheduled for implementation during the 3rd quarter 2008. Project highlights for second quarter, April – June 2008, include:

Countersignature of the project work plan received. On May 13, the Ministry of Industry and Commerce counter-signed (with USAID) the letter approving the Lao BTA/WTO Project draft work plan.

Translations (Lao to English). Draft translations of the two decrees applicable to the Enterprise Law as well as the Standards Law were submitted to the MOIC's Foreign Trade Policy Department (FTPD) in May and June, respectively. The FTPD is in the process of reviewing the translations to ensure that they reflect the accurate nature of the Law and Decrees.

Trade in Services Workshop for Lao Negotiators and Regulators (June 19-20). The Project, with the help of our local subcontractor EDC and MOIC, successfully implemented the first workshop aimed at addressing topics relevant to trade negotiators and regulators of service sectors. The two-day workshop combined international and regional experts on trade in services and mixed presentations with interactive exercises to help engage the workshop participants. Participant's level of knowledge ranged from recent hires to individuals with several years of experience and addressed the intricacies of negotiations and implementation of US-Lao BTA, WTO accession, and ASEAN integration. Summaries of the workshop by James Wallar (moderator) and Richard Self (key presenter) as well as participant evaluations are attached. In addition, a follow up request to provide additional training on scheduling techniques for a select group was made by the MOIC. Ms. Waite will deliver a session during her next visit to Vientiane in late July.

FTPD's Website. A short proposal on how to approach the development of the FTPD website was drafted and submitted by the Project Director, Victoria Waite, in late May. The MOIC's Permanent Secretary's Office (PSO) reviewed the draft and provided some comments. The proposal provided a basic overview on what the activity would encompass (i.e., procuring related equipment and services) as well as an approach for the FTPD to collect the content and data needed to populate the site. Next steps should include getting quotes from local web designers/developers and on needed equipment to host the site. In addition, the MOIC will make a decision on forming a 'task force' that would be responsible for content collection.

Other Work Plan Activities.

- Draft Agenda for National Assembly Workshop on Lessons Learned from Vietnam and Cambodia's WTO accession and implementation of the BTA (Vietnam only) was submitted to MOIC in June for comment. The draft agenda was developed with input from the former COP of the Viet Nam's STAR program and the project will collaborate with DAI in the organization of speakers from Viet Nam, Cambodia, and the STAR project. The MOIC is coordinating with the National Assembly to determine a suitable date for the workshop.

- Translation of key documents/materials: the MOIC requested the slide presentations from the June 19-20 trade in services workshop be translated into Lao to distribute to a wider audience. In addition, the project is taking steps to begin work on finalizing the outstanding translation queries (Lao version) related to the US-Lao BTA.

Preparation for Work Plan Activities 3rd quarter 2008.

- On July 28, the Project will provide a one-day training course on writing trade-based fact sheets to the MOIC staff.
- In mid-July, work will begin on the trade in telecommunication services assessment. Consultants will travel to Vientiane to meet with stakeholders July 28 – August 6. The Lao BTA/WTO Project is receiving support (via co-funding) from the USAID-funded DC-based TCBoost Project. Final deliverables are expected August 29, 2008.
- Project Director will develop TORs for SPS/TBT and GATS enquiry point activities (as outlined in the work plan).

IMPLEMENTATION ISSUES AND RECOMMENDATIONS

Project staff and MOIC are doing their best to implement project activities as timely as possible. Distance and the lack of an in-country advisor to push things along on a daily basis, in addition to scarce human resources at the MOIC, have contributed to implementation delays. When the Project Director is there July 21 – 24, she will explore possibilities on how to address the delays with the local subcontractor, EDC, and MOIC officials.

OTHER ISSUES

There are no other issues to report at this time.

Lao BTA/WTO Project



Trip Report

June 19-20 Trade in Services Workshop for Lao Negotiators and
Regulators

Submitted by James Wallar and Richard Self on June 25, 2008

The Trade in Services Workshop for Lao WTO Accession and BTA compliance was well-attended by 50 representatives of government, industry, and research institutes and provoked lively and thoughtful discussions. Participants were keen to learn about how services can increase productivity and contribute to overall economic development. In this context, several questions arose about how to select sectors that could benefit from increased competition, including from service importers, while still taking into account the sensitivities of local industry. The general discussion indicated that in any process of increasing competition there will be winners and losers, but benefits to the overall economy should be a net plus.

The workshop included a presentation that focused on Lao's challenge in managing three separate trade instruments, of which Lao is currently focused. These are the Bilateral Trade Agreement (BTA) with the United States, the ASEAN Framework Agreement on Services (AFAS), and Lao accession to the WTO, which is still in its early stages of negotiation. The U.S. team pointed to how Lao could build on its BTA obligations to meet AFAS timetables for sector liberalization, and the use of that momentum to meet WTO country requests in services as part of its accession process. The U.S. team warned that it could not manage its WTO accession with Member countries by taking multiple MFN exemptions to account for the BTA obligations to the United States. Member countries would view this as an unacceptable precedent for allowing exemptions to one of the more fundamental provisions of the General Agreement on Trade in Services (GATS).

Viet Nam's experience in acceding to the WTO emphasized many of the general points made in the opening presentations. For example, Viet Nam did not consult very much with industry in assembling its offer in the WTO. As a consequence, they are running into difficulties with implementation. Industry representatives have complained to the Ministers concerned who may not have been fully aware of the implications of accession for a particular sector. This reinforced the point made in the general presentations on the important need to consult with industry to solicit their advice on negotiations, to build constituencies for change domestically, and to find champions to sell the final agreed package.

Another point made by Mr. Khanh of Viet Nam was the improbability of seeking an MFN exemption for concessions made to the United States under the Viet Nam-US Bilateral Trade Agreement (BTA). He noted that other delegates in Geneva were upset that their countries had not received the same benefits as the United States. One delegation threatened to block Viet Nam's accession. Beware, he cautioned! In its offer for WTO accession Viet Nam tried several approaches that would not have involved giving others the same benefits they had given the United States in the BTA. They made an offer that increased the sector coverage contained in the BTA but reduced the depth of commitment. Or they increased the depth of commitment as compared to the BTA, but reduced the sector coverage. None of these combinations worked. Not until Viet Nam made an offer to all WTO members that was equal to their BTA commitments, did negotiations begin. When they did commence they progressed very quickly.

Through small group discussions, participants became aware for the need for interagency coordination in Lao. While some non-trade ministries were generally aware of the WTO, they had little idea of the technical issues or the benefits they could gain from working together in groups rather than

individually contributing to Lao's negotiating package. In light of the discussions, the Lao representative of the Ministry of Industry and Commerce (MOIC) Foreign Trade Policy Division explicitly added an "assessment of inter-governmental coordination" to the terms of reference for an upcoming study on the telecoms sector trade policy in Lao.

The presentation on implementation of Lao's commitments under the ASEAN Blueprint to create an ASEAN Economic Community by 2015 was an eye-opener for many participants. Under the AEC Blueprint, Lao has committed to remove substantially all restrictions on the cross border supply and purchase of services and raise the limits on foreign equity participation by 2010 for priority services sectors and by 2015 for all sectors. This liberalization is to be accomplished by following a strategic schedule and thresholds. Specifically, every two years restrictions on an increasing number of sub sectors will be liberalized according to the strategic plan.

In the current exercise of assembling the sixth package of commitments under the ASEAN Framework Agreement on Services (AFAS), member states have to have liberalized 65 sub sectors, indicating in their schedules that there are no restrictions on cross border supply or provision. A maximum of three market access non-equity limitations are permitted at this stage for services in non-priority sectors and only two for priority services. Additional sub sectors will be added in 2010 and every two years thereafter. By 2015, the number of limitations should be substantially reduced. Five ASEAN Member States have met these minimum thresholds including Viet Nam and Cambodia, due to their recent WTO accessions.

The final practical exercise of scheduling commitments was also lively, after participants grasped the basics. The point was not to create perfect schedules of services commitments, but to give participants a "feel" for implementing some of the concepts discussed in the workshop. A practical side of this exercise was to gain some appreciation for the kinds of government measures that require limitations and reservations, and those where they are not necessary at all. This is a critical part of negotiations over a group of sectors, many of which are heavily regulated. While these commitments are formal requirements to join the WTO, or otherwise meet ASEAN obligations (AFAS scheduling methods are identical to GATS), the point was made that these commitments are a way to advertise Lao's intention to be a market that is open for business and provide services providers certainty about the operating environment. Increased economic activity can help Lao achieve improved economic performance and socio-economic development consistent with its National Growth and Poverty Eradication Strategy.

Additional MOIC requests from the Workshop:

1. Translate presentation materials into Lao so that concepts on services and on trade agreements can be circulated to a larger audience.
2. Additional exercises for a select group of Lao officials on techniques for scheduling services commitments.
3. An additional output for the trade in telecommunication services assessment that will examine current interagency coordination in the sector.

Evaluation Results

Trade in Services Workshop for Lao Negotiators and Regulators

June 19-20, 2008 in Vientiane, Lao PDR

Your answers to this questionnaire will help us to improve our training programs. Thank you for taking the time to fill it out.

Personal data

Years of experience in trade in services	Average 4 years
Country of representation	Lao PDR, Thailand and China
Total respondents = 24 (out of 50 attendees)	

Presentations

On a scale of 1 to 6, please rate how informative each session was for you. A rating of 6 indicates that you found the session highly informative; a rating of 1 that you did not find it informative.

Session	Presentation	Average
1	Dynamic Nature of Services and Services Markets	5
2	Benefits/Challenges of a Competitive Services Market	5
3	Selecting Sectors and Activities for More Open Competition	5
4	Transparency and Dialogue: Building Constituencies for Competition in Services Markets	5
5	Interactive Session: Group Discussion	5
6	Laos' Participation in Trade in Services Negotiations	5
7	WTO Accession-related Issues and BTA Compliance	5
8	WTO Accession/BTA Compliance: Viet Nam's Experience	5
9	ASEAN Framework Agreement on Services (AFAS)	5
10	Interaction Session: Scheduling Exercise	5

Subject Matter

Would you like to see more, the same, or less time devoted to the following negotiation topics:

Session	Topic	More	Same	Less
1	Dynamic Nature of Services and Services Markets	12	11	1
2	Benefits/Challenges of a Competitive Services Market	17	7	0
3	Selecting Sectors and Activities for More Open Competition	17	7	0
4	Transparency and Dialogue: Building Constituencies for Competition in Services Markets	14	10	0
5	Interactive Session: Group Discussion	18	5	1
6	Laos' Participation in Trade in Services Negotiations	15	9	0
7	WTO Accession-related Issues and BTA Compliance	18	6	0
8	WTO Accession/BTA Compliance: Viet Nam's Experience	11	12	1
9	ASEAN Framework Agreement on Services (AFAS)	11	13	0
10	Interaction Session: Scheduling Exercise	10	12	2

General

1. What part of this course did you like the most?

- Presentation on Viet Nam's experience. (x8)
- AFAS presentation (x5)
- Benefits/Challenges of Services/Markets (x5)
- WTO Accession-related Issues (x3)
- Dynamic Nature of Services (x2)
- Selecting Sectors and Activities for More Open Competition (x2)
- Laos' Participation in Trade in Services Negotiations
- Interactive Session: Group discussion
- Interactive Session: Scheduling Exercise
- Negotiation considerations (LDC status)

2. What part of this course did you like the least?

- Building Constituencies for Services Markets (x2)
- Selecting Sectors and Activities for More Open Competition (x2)

- Interactive Session: Scheduling Exercise
- Interactive Session: Group Discussion
- Laos' Participation in Trade in Services Negotiations

3. What other topics would you like to see included?

- More experiences of other countries (x4)
- Trade negotiation activity exercise
- More exercises/opportunities to practice
- Negative impact of trade in services
- More on difficulties and challenges for Lao in trade negotiations
- Challenges and US experience in trade negotiation
- US policy toward LDC countries in trade negotiations

4. Did this course use a good mix of lecture and interactive discussion?

- Yes, the mix was effective (x15)
- Too short, and need more time to cover all the important topics (x2)

5. What sorts of follow-up activities for this course would you find useful?

- A workshop on a) regulatory framework and needed reforms to facilitate liberalization and b) Competition law
- Sending all relevant materials electronically and keep all participants updated on issues news related to trade in services
- Should provide specific commitments
- Another scheduling exercise
- More opportunities for questions and answers and sharing of other country experiences