

Based on information collected up to April 2004

1. TARIFF MEASURES

Structure of the tariff schedule

Lao PDR uses the Harmonized Commodity Description (HS 92). In line with AFTA (Asean Free Trade Agreement), Lao PDR will be introducing a new tariff nomenclature based on HS 2002, i.e. ASEAN Harmonized Tariff Nomenclature (AHTN).

Tariff rates

11 Statutory Customs Duties

The Lao import tax system aims at promoting the import of materials and equipment for investment and production, while protecting domestic production and limiting import of luxury goods. Therefore the following rates apply to imported goods: 5% on heavy equipment and machine tools, 10% on some medicines, materials used in light industry such as fabric and chemical industries; 20% on food products such as frozen fish; 30% for certain fruit and vegetables; 40% for automobiles, vegetables, coffee, tea, mineral water, beer and cigarettes, and 45% on garments and textiles. Import taxes on aid import are levied at 80% of the price.

16 Temporary reduced duties

Foreign investors may import equipment, production materials, and spare parts at 1 percent duty rates, and raw materials and intermediate goods for re-export purposes, duty-free; raw materials and intermediate goods serving as import substitutions are eligible for reduced duties. In general, products imported for the purposes of processing, assembly into finished products or for exhibition and subsequent re-export are exempt from duty. Duty exemption is also set on tools and devices imported for national defense and national security purposes if the import is duly certified by the ministry concerned.

All imports of yarns and textiles used in the production of garment are duty free if re-exported after assembly.

19.1 Interregional agreements

Laos together with India, Korea, the Philippines, Sri Lanka and Thailand are member of the Bangkok Agreement for liberalized trade among the less developed member countries of the Economic and Social Commission for Asia and the Pacific (ESCAP). The agreement provides for mutual tariff concessions on some agricultural items, manufactured goods, chemicals, and minerals.

At a summit held in Myanmar from 10 to 12 November 2003, the leaders of Lao People's Democratic Republic, Cambodia, Myanmar and Thailand

announced a new economic initiative aimed at accelerating growth and promoting regional cooperation.



19.2 Regional and subregional agreements

Laos belongs to the Association of Southeast Asian Nations (ASEAN) together with Brunei, Cambodia, Indonesia, Malaysia, the Philippines, Thailand and Vietnam. ASEAN was formed to promote economic, social, cultural and scientific ties, as well as trade and monetary policies. Other areas of cooperation among ASEAN members include harmonization of standards, reciprocal recognition of tests and certification of products. In 1992, members called for the formation of an ASEAN Free Trade Area within 15 years.

Within the framework of AFTA, Laos will reduce customs duties to 0%-5% until the end of 2008. Customs duties on 533 items will be reduced until the end of 2000. There will be two temporary sensitive lists. Customs duties of one of these lists including 2818 items will be reduced within 8 years, and customs duties of the other sensitive list will be reduced within 17 years. Vietnam which joined ASEAN in 1995 would implement its tariff reductions to 0-5% by 2003; Myanmar which joined the group in 1997, will complete the reductions by 2005. In the year 2015, final reductions will be achieved by Lao People's Democratic, Cambodia, Myanmar and Vietnam.

Since 1 of January 2003, the ASEAN countries have announced the abolishment of tariffs on 60 per cent of traded goods and the introduction of a 5% on import tariffs within its six original members, i.e. the Philippines, Brunei, Indonesia, Malaysia, Singapore and Thailand.

Products affected essentially by this measure are electronic products, machinery items and petrochemicals. Goods excluded from the tariff reduction agreements are goods of key industries in some of the member countries; for example, the Philippines and Indonesia will delay the 5% cap on sugar and petroleum, and Malaysia will shelve the cap on car imports, until 2005. As for the four ASEAN's latecomers i.e. Lao PDR, Cambodia, Myanmar and Vietnam, they will introduce the 5% tariff cap only in 2010.

In addition to intra-ASEAN trade and ties, ASEAN aims at strengthening links with other preferential trade regimes in the region, for example, the high-level task force between the AFTA and the Closer Economic Relations (CER i.e. a trade agreement between Australia and New Zealand) established to study the feasibility of settling an AFTA-CER free-trade agreement by 2010. ASEAN is pursuing similar agreements with other regional groupings such as the Southern Common Market (MERCOSUR), and the Southern African Development Community (SADC).

With the ASEAN Industrial Cooperation Scheme AICO, final products as well as raw materials, and semi-finished goods may be imported at preferential rate of maximum 5%.



19.3 Bilateral agreements

The government of Laos has concluded bilateral trade agreements with Mongolia, China, Vietnam, Poland, Bulgaria, and several other Eastern European countries.

Laos through the framework of ASEAN, maintains a commercial and

economic cooperation agreement with the European Union. The agreement provides for most favoured-nation treatment, and studies to remove trade barriers, create new trade patterns, and recommend trade promotion measures.

A new trade initiative between the ASEAN and the U.S.A. has been set up as the Enterprise for Asean Initiative (EAI) which objectives aim at developing the Southeast Asian Region and enhance close U.S. ties with ASEAN. The EAI offers bilateral free trade agreements (FTAs) between the United States and individual ASEAN countries, by determining jointly the launching of FTA negotiations.

LAO PDR signed on 18 September 2003 a bilateral trade Agreement with the USA in order to promote freer trade and extend most favoured nation tariff benefits to the products of both countries.

TREATI, or Trans-regional UE-ASEAN Trade Action Plan, was launched on 9 July 2003 by the European Commission with the objective of boosting trade between the two regions. This action aims at enhancing relations with ASEAN members.



2. PARA-TARIFF MEASURES

22.3 Import licence fee

A fee of LAK 5,000 (US\$0.50) is levied for import licence application form.



22.9 Additional charges n.e.s.

The following fees for inspection on imports for technical, quality, or health and safety purposes are levied as follows by the Ministry of Health: for medicine: the fees are LAK 20,000 per invoice; for food: the fees for import permission are 0,05% of total amount of goods per invoice and the registration for imported products is LAK 50,000 per item; Science, Technology and Environment Agency collects fees for quality inspection of import of fuel, steel bar and cement, equivalent to 0,01 per cent of each import value.

An import registration fee of LAK 34,000-US\$3.40 is levied.



23.1 General sales taxes

The value added tax which will replace the turnover tax, is supported by the Tax Administration and Customs Reform Project (Lao /96/005) and is expected to be implemented during the fiscal year 2003/2004.



23.2 Excise taxes

Excise taxes are levied on a wide range of products, and are assessed at rates ranging from 72% to 104% on automobiles depending on engine sizes; 50% on motorcycles, beer and cigarettes; and 60% on alcoholic beverages.

Imported kerosene and alcohol (Accon 90) are exempt from turnover tax if imported for medical purposes; otherwise, Article 3 of the Prime Minister's Decree No. 241/PM subjects the items to a levy of excise tax at the rate of 60% and a 10% of turnover tax in compliance with article 2 of the Decree.

Additional excise tax rates are collected on imported and some local goods, based on Notification No. 1061/MOF, following is the list of imported products

subject to the tax: soft drinks (Coke, Pepsi) 600 LAK/litre, soda 800 LAK/litre, beverages M100, M150 and like products 1,000 LAK/litre, pure drinking water, mineral water 2,000 LAK/litre, canned beverages (coffee, fruit juice and like products) 1,000 LAK/litre, spirits and beverages of alcoholic strength by volume not exceeding 15% vol. 2,000 LAK/litre; spirits and beverages of alcoholic strength by volume exceeding 15% vol. 5,000 LAK/litre; beer 3,000 LAK/litre, cigarettes 2,000 LAK/pack, motorcycle 2,000 LAK/motorcycle. For vehicles, all kinds of Sedan 2,000,000 LAK/veh., all kinds of Pickup 1,500,000 LAK/veh., all kinds of Dump truck 1,200,000 LAK/veh., all kinds of Van 1,500,000 LAK/veh., all kinds of Bus 1,500,000 LAK/veh., all kinds of Jeep (eg. Pajero, Landcruiser brand) 3,000,000 LAK/veh., all kinds of Jeep (roof made of cloth or plastic) 800,000 LAK/vehicle.

Additional excise tax rates on petrol are governed by Notification No. 1440/MOF as follows: benzene special 30 LAK/litre, benzene regular 20 LAK/litre, Diesel 20 LAK/litre.



23.9 Internal taxes and charges levied on imports n.e.s.

A business or turnover tax based on the CIF value of the product plus the import duty, and paid at the time of import, is levied on most goods. It ranges between 5% levied on essential goods, agricultural equipment, power tools, construction equipment, fabric and cotton thread; and a higher rate assessed on other goods. Goods exempt from the levy of the turnover tax include rice, fertilizer, animal feed, fire trucks and wheelchairs.

Turnover tax collection and exemption are ruled by the Tax Law No. 04/95/NA.



24 Decreed customs valuation

The value for duty is the CIF cost determined by the wholesale price plus importation costs. The cost of inner and outer packaging with commercial value usually is included in the dutiable value. This mechanism applies to all goods except for vehicles. Motor vehicle values are based on a fixed cost schedule, which is not made public. In general when products are made of several materials, the major material used will serve as the basis for computing the duty. And when equal amounts of several materials are used, the material with the highest value serves as the basis of computation. Also, if an item can be placed under several tariff code numbers and if the tax rates are equivalent, it will be classified by its main use. If tax rates are different, then the code number with the highest tax rate will be used. Furthermore, merchandise received under foreign aid is valued at the domestic sale price of the products.



3. PRICE CONTROL MEASURES

31.1 Minimum import prices

With respect to the importation of rice, the minimum farm-gate price was set at 900 LAK/kg for 2000-2001 in view of ensuring its price stabilization in conjunction with MOCT's Notification No. 1021 of 8 November 2000.



31.9 Administrative pricing n.e.s.

Price surveillance and regulation are ruled by the Prime Minister's Decree No. 207/PM of 11 October 2001 which allows the Ministry of Commerce to do so for goods in general. Price controls apply equally to imported and domestic goods, currently amounting to 30 as follows: fuel and gas, all kinds

of steel for construction, cement, roof floor and wall tiles, zinc, sawn wood, all kinds of paint for houses, PVC pipes, tractors, water pumps, thrashing machines, rice mills, bicycles, motorcycles, student clothing, writing tools, raw materials for factories, medicines, rice, sugar, soy sauce, fish sauce, monosodium glutamate, vegetable oil, flour, meat including cattle swine and poultry), sea fish and fresh water fish.

4. FINANCE MEASURES

41.1 Advance import deposit

Margin deposits for opening letters of credit are determined by the Lao Bank for Foreign Trade and other commercial banks on a case-by-case basis.

43.2 Bank authorization

Official foreign exchange transactions related to trade are handled by the Lao Bank for Foreign Trade. Payment for authorized imports comes from retained export earnings, foreign exchange obtained in the parallel market, and foreign exchange allocated by the bank of Foreign Trade.

With Decree Law No. 01/OP of 9 August 2002 governing the management of foreign exchange and precious metals, individuals from and outside LAO PDR can own and keep foreign exchange in their bank accounts within LAO PDR.

5. AUTOMATIC LICENSING MEASURES

Issuance of import licences according to Decree No. 205/PM of 11 October 2001 is meant to monitor and collect data on importation of strategic and controlled goods, and to monitor and manage the importation of prohibited goods.

52.7 Prior surveillance for sensitive product categories

Notification No. 870/MOC of 19 September 1996, subjects the following strategic goods to State control: petroleum products, construction steel, cement, rice, vehicles, electricity, minerals, tobacco, and timber products. Furthermore, Article 3 of the Notification of the importation of rice No. 0100/MOC of 28 January 2000 rules the rice control in the LAO PDR, allowing if necessary its importation in case of short supply, upon an agreement of governors of concerned provinces.

6. QUANTITY CONTROL MEASURES

61.1 Licence with no specific ex-ante criteria

An import license is required for each good entering the LAO PDR with the exception of yarn and textiles used by the manufacturing industry and products listed on the ASEAN Free Trade Area CEPT inclusion list in accordance with the Ministry of Commerce Decree No. 205/PMO of 11 October 2001 amended by Regulation No. 0202/MOC.FTD of 14 February 2003.

Notification No. 0161/MOC.FTD of 11 February 2002 establishes the list of

imports of goods subject to review for technical reasons, namely, food products, vegetable seeds and breeding animals, all kinds of fertilizer and insecticide (chapter 31 and 38: 3105.20, 3808.90), cultural products, all kinds of sport guns (chapter 93, 9303.30), drugs (3004.90), cosmetic (3304.99), chemical products (chapter 23, 29, 30, 31, 34, 35, 36, 38), minerals (chapter 25,26, 27) all kinds of vehicles, (chapter 87) and precious metals and metals clad with precious metal (chapter 71).



61.7 Prior authorization for sensitive product categories

Import restrictions for reasons of sanitary and phytosanitary protection, the protection of human health and safety, and for security reasons of the following items: live animals and plants, fertilizers, cultural goods, communication products, medicines, chemicals, minerals, sporting guns and sports products.



61.71 To protect human health

A prior authorization from the Ministry of Health is required for the importation of pharmaceuticals that will be sold locally.



61.73 To protect plant health

An import permit issued by the Department of Agriculture of the Ministry of Agriculture and Forestry is required for the importation of plants and plant products.



61.74 To protect environment

An import authorization from the Ministry of Agriculture and Forestry is necessary to import fertilizers and agricultural chemicals.



61.76 To control drug abuse

LAO PDR as a member party of the UN Single Convention on Narcotic 1961 and UN Convention on Psychotropic Substances 1971, therefore subjects importation of controlled chemicals to licensing issued and granted automatically by the Ministry of Public Health, under Notification No. 1364 of September 1995.



61.77 To ensure human safety

Through Notification No. 1552/MCTPC of 8 July 1996, an import restriction is set by the Ministry of Communication, Transport, Post and Construction on motor cycles over 250cc, motorcycles and motors vehicles, this restriction is based on health and safety and environmental reasons, and it aims as well to foster the economic development since LAO PDR has assembly factories of cars and motorcycles.



61.9 Non-automatic licensing n.e.s.

The following goods are subject to import licensing restrictions: steel bars, and cement.



Quotas

62.9 Quotas n.e.s.

Quantitative control is set to the importation of fuel and lubricants, steel bars for construction, all types of cement, all types of motor vehicles and motorcycles by Regulation 462/MOC.



Prohibitions

63.1 Total prohibition

Notification No. 870/MOC of 19 September 1996 prohibits the importation of weapons, right-hand drive vehicles, animal parts, addictive drugs, certain medicines, cultural items such as casino equipment, certain publications and audio-visual material and other items considered by the government to be obscene, nominated agricultural products and dangerous goods as toxic chemicals, and hazardous materials.



63.7 Prohibition for sensitive product categories

Notification No. 870/MOC of 19 September 1996 which prohibited importation of similar domestically grown agricultural goods has been replaced by the Notification No. 0202/MOC.FTD of 14 February 2003 consequently lifting the ban on agricultural goods such as chillies, eggplants, tomatoes, bananas, sapota, lemons, and other seasonal fruits.



7. MONOPOLISTIC MEASURES

71 Single channel for imports

In 2003, the following food products were under the State control in virtue of Notifications No.0202/MOC.FTD and 0203/MOC.FTD: sugar, rice, alcohol, cigarette, meat of swine, fresh, chilled or frozen, meat of bovine animals, all kinds of fresh water fish, all kinds of milk products, all kinds of canned food (including canned fruits), frozen meat fish and sea food, seasoning (fish sauce, soya sauce, vinegar, tomato and chilly ketchup, monosodium glutamate), all kinds of candy and biscuits, all kinds of substances for food colouring, other organic compound, sweet substitution substance (other of raw sugar not containing added flavouring or colouring matter), all kind of beverages.



8. TECHNICAL MEASURES

81 Technical regulations

For the moment the LAO PDR has no established standards but a framework legislation for standardization, and technical measures as the promulgation of the Prime Minister's Decree No. 85/PM of 2 November 1995 on the Management of Standards and quality of products and Goods, and the National Master Plan on Development of Standards and Conformity Assessment in Lao PDR No. 1352/PMO.DS. With these laws, the LAO PDR expects to develop and implement by the year 2005 its standards in conformity with the WTO agreement on the matter. Furthermore, a central

management agency for standards and quality known as STEA or the Science, Technology and Environment Agency will be the Enquiry Point for standard and conformity assessment activities.

81.1 Product characteristics requirements

Notification No. 0161/MOC.FTD of 11 February 2002 rules certification requirements on imports regarding the mandatory application of standards, technical regulations of sanitary or phytosanitary measures from the relevant ministries.

81.19 Product characteristics requirements for purposes n.e.s.

A technical specification approval from the Ministry of Communications and Transport is required for the import of cars and other vehicles

81.5 Testing, inspection and quarantine requirements

Regulations ruling the quarantine of plants are governed by Plant quarantine Decree No. 66/PM of 23 March 1993 and plant quarantine regulation No. 0639/MAF of 2 July 1993.

82 Pre-shipment inspection

For the goods to enter the country, the importer must present a customs clearance report. The report is prepared by certified customs specialists or certified customs clearance corporations only.

As of 1 of June 2000, the Government of Laos will be requiring pre-shipment inspection of all imported goods with an FOB order value of US\$2500 or more. The pre-shipment inspection regulation has been issued by the Ministry of Finance on 11 May 2000, the act has been published in the Official Notification of 18 of May 2000. Societe Mixte d'Inspection Lao Bivac International (LAOBIVAC) carries out the pre-shipment inspection.

The following goods are exempt from the pre-shipment inspection requirement: fresh, refrigerated or frozen foods under codes 02, 03, 401, 403, 404, 405, 406, 407, 408, 410; used wearing apparel, newspapers and periodicals, fresh or dried flowers, used tyres; scrap under 7204, 7404, 7602, 7802, 7902, 8002; original works of art, explosives and explosive devices; jewellery including precious stones and unworked precious metals; arms and ammunition for the Government agencies or forces; and live animals classified under chapter 1 and headings 301 and 9508.