

ADB-Asian Think Thank Development Forum 2014

Seoul, Korea, 20-21 November 2014

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Lao PDR's Joining ASEAN Economic Communities by and after 2015: *Opportunities and Challenges*

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Lao PDR

Points of Discussion

- ❑ **Background**
- ❑ **The Current Status of Lao PDR in ASEAN**
- ❑ **Possible Impacts of AEC after 2015**
 - **Opportunities**
 - **Challenges**
- ❑ **Policy Recommendations**

Background

- In 2003, ASEAN leaders decided to establish the ASEAN Economic Community (AEC) by 2020 (Bali Declaration II).
- 2007, ASEAN leaders affirmed their strong commitment to accelerate the establishment of AEC to 2015 (Cebu Declaration on the Acceleration of the Establishment of ASEAN Community by 2015).

Background (Cont.)

❑ Purposes of AEC blueprint by 2015 are to establish :

- A Single Market and Production Base
- A Highly Competitive Economic Region
- A Region of Equitable Economic Development
- A Region Fully Integrated into the Global Economy

❑ An ASEAN single market and production base shall comprise five core elements:

- Free flow of goods
- Free flow of services
- Free flow of investment
- Free flow of capital
- Free flow of skilled labour

Key Questions/Issues

- 1) How to maximize the benefit from joining AEC for the country ?**
- 2) What are the challenges of joining AEC, Lao PDR will be facing ? And how to mitigate the negative impact from joining AEC ?**

The Current Status of the Lao

Foreign Trade in ASEAN

The Current Status of Lao PDR in ASEAN

Main Export Market of Lao PDR(Market Share in %)

	Country	FY 1999- 2004	FY 2004- 2009	FY 2009- 2012
¹	Thailand	46%	38%	56%
²	Australia	6%	10%	18%
³	Vietnam	7%	12%	8%
⁴	China	3%	5%	4%
⁵	United Kingdom	1%	7%	1%
⁶	Japan	1%	1%	2%
⁷	Germany	3%	4%	2%
⁸	Switzerland	3%	5%	2%
⁹	Netherlands	1%	1%	1%
¹⁰	Italy	2%	1%	1%

The Current Status of Lao PDR in ASEAN (Cont.)

Main Export Items from Lao PDR

Unit: million USD (share to total)

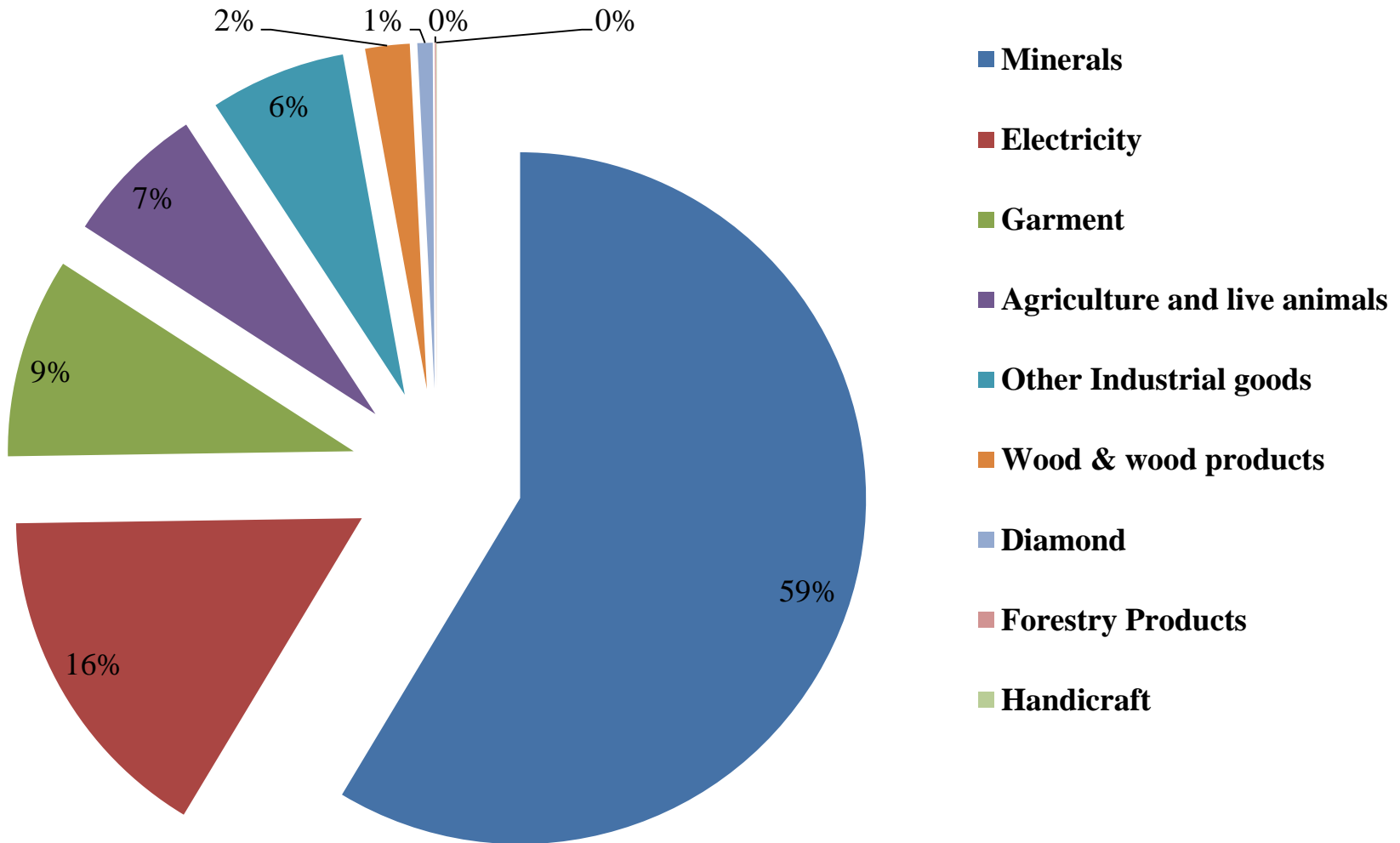
No.	Items	FY 1999-2004	FY 2004-2009	FY 2009-2012
1	Minerals	61.77 (16%)	495.57 (50%)	1,048.52 (59%)
2	Electricity	94.93 (25%)	127.93 (13%)	289.00 (16%)
3	Garment	96.14 (26%)	152.53 (16%)	167.30 (9%)
4	Agriculture and live animals	82.49 (22%)	88.51 (9%)	119.24 (7%)
5	Other industrial goods	10.77 (3%)	69.57 (7%)	113.62 (6%)
6	Wood & wood products	73.13 (19%)	69.32 (7%)	37.11 (2%)
7	Diamond	0	18.83 (2%)	12.74 (1%)
8	Forestry products	8.67 (2%)	5.09 (1%)	1.01 (0%)
9	Handicraft	5.23 (1%)	1.03 (0%)	0.40 (0%)

The Current Status of Lao PDR in ASEAN(Cont.)

Main Import Market of Lao PDR(Market Share in %)

	Country	FY 1999-2004	FY 2004-2009	FY 2009-2012
1	Thailand	26%	64%	52%
2	China	5%	9%	12%
3	Vietnam	4%	12%	8%
4	France	0%	0%	4%
5	Japan	0%	2%	3%
6	South Korea	0%	0%	1%
7	Belgium	0%	2%	2%
8	Germany	1%	0%	0%
9	Denmark	0%	1%	0%
10	Taiwan	0%	1%	0%

Top 9 Export from Laos (FY 2009-2010)



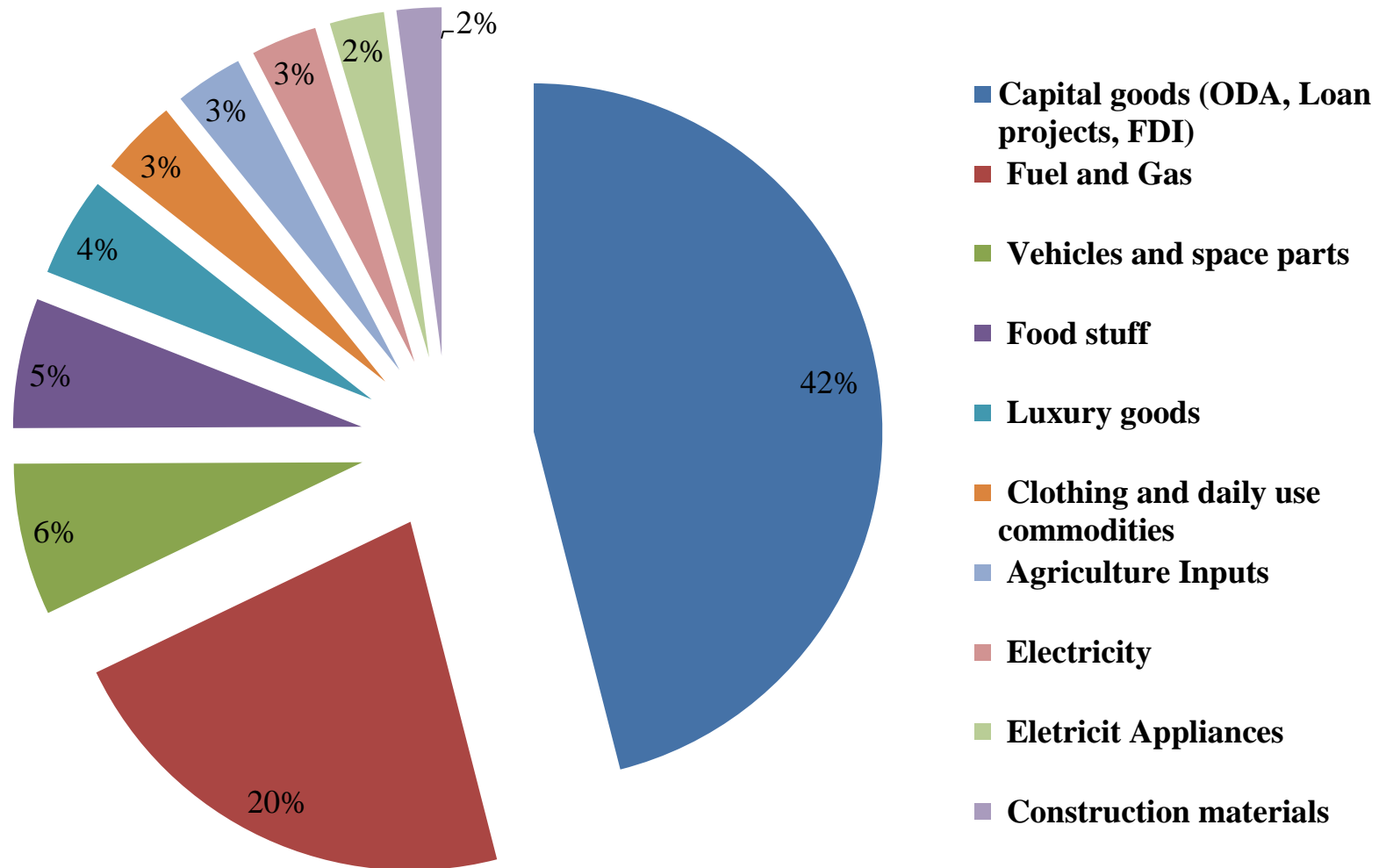
The Current Status of Lao PDR in ASEAN(Cont.)

Main Import Items to Lao PDR

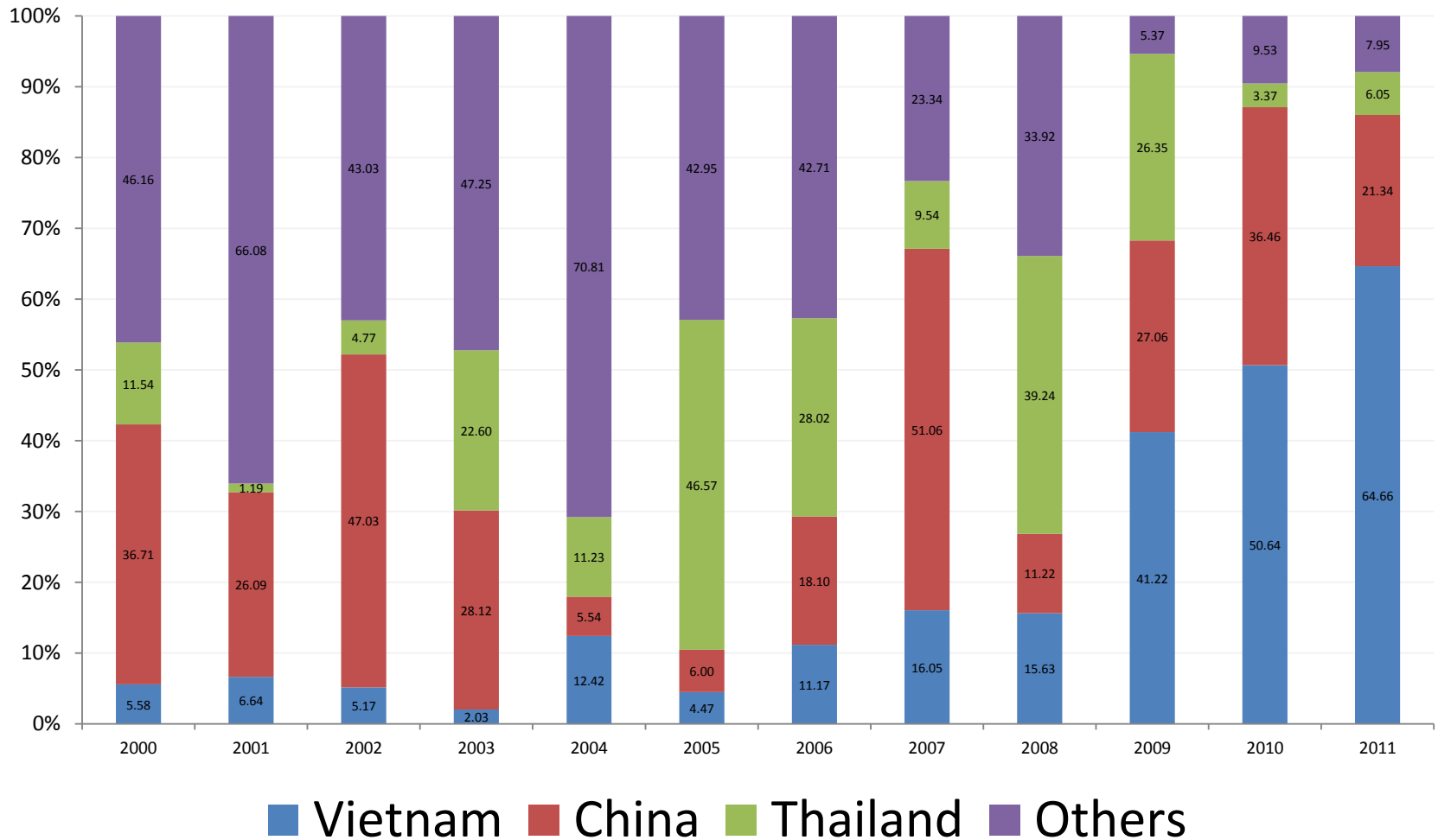
Unit: million USD (share to total)

1	Capital goods (ODA, Loan projects and FDI)	179 (33%)	319 (32%)	700 (42%)
2	Fuel and gas	93 (17%)	206 (21%)	333 (20%)
3	Vehicles and spare parts	25 (5%)	75 (8%)	107 (6%)
4	Food stuff	19 (3%)	24 (2%)	92 (5%)
5	Luxury goods	3 (1%)	9 (1%)	71 (4%)
6	Clothing and daily use commodities	14 (3%)	22 (2%)	54 (3%)
7	Agriculture inputs	16 (3%)	17 (2%)	48 (3%)
8	Electricity	7 (1%)	21 (2%)	47 (3%)
9	Electric appliances	4 (1%)	10 (1%)	38 (2%)
10	Construction materials	27 (5%)	27 (3%)	32 (2%)

Top 10 Import Items to Laos(FY 2009-2010)



FDI by Country (%)



Tourism

During 2006-2012 the number of tourists from ASEAN countries visiting Laos was approximately 9.2 million, of which Thailand accounted for 7.85 million, Vietnam 1.12 million, and other ASEAN countries 0.2 million.

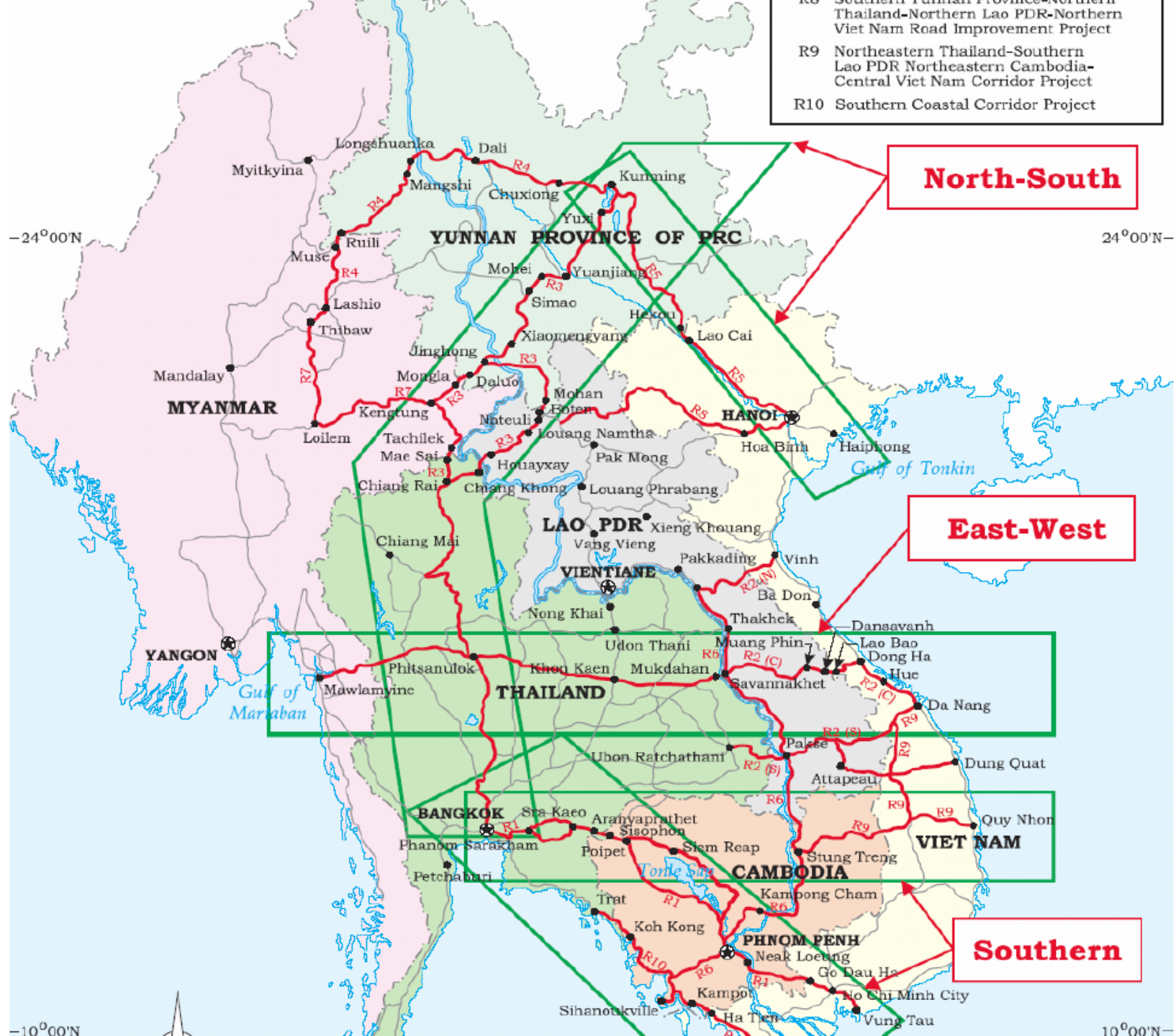
Opportunities and Potentials

For Joining AEC

Strategic Location



- R8 Southern Yunnan Province-Northern Thailand-Northern Lao PDR-Northern Viet Nam Road Improvement Project
- R9 Northeastern Thailand-Southern Lao PDR Northeastern Cambodia-Central Viet Nam Corridor Project
- R10 Southern Coastal Corridor Project



North-South

East-West

Southern

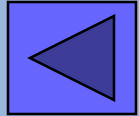
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The Geographic Focus



 **Mekong River**

Opportunities(Cont.)

❑ Removing tariff and non-tariff barriers among ASEAN member countries Laos will have more opportunities for Lao Export to ASEAN Market and cheaper import from ASEAN Market.

❑ Lao PDR is rich in natural resources (hydro electricity(main potentials for export), possess available land for investment projects(can attract more capital inflows), rich in tourism sides(more tourists will come to Laos)

❑ Skilled labor from member countries can meet labor market demand in Laos

Strategic Location



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Key Challenges in Joining AEC

- Increased competition for domestic investors due to more cheaper imports (the questions of domestic investor's survivals)**
- Increased competition for Lao export in ASEAN Market**
- Increased competition for domestic investors due to more competitive foreign investors**
- Challenges of labor movements (Social challenges)**

Policy Recommendation

- ❑ Raising more awareness on AEC for Government officials and business communities
- ❑ Make use of the opportunities and maximize the benefit from joining AEC by focusing on comparative advantages, nich market in other member countries and strengthen capacity and expand the existing potential export products in ASEAN market.
- ❑ Mitigate the negative impact and deal with the challenges by developing different appropriate measures in particular the issues on competition for domestic investors, social and environmental impacts.
- ❑ Strengthen competitiveness by focusing on human resource development , education, skilled labor, technology & know how transfer, R & D etc.
- ❑ Conduct research on selected priority issues.

**Thank You
for
Your Attention**

Q & A