



Improving the Business Environment Through Constructive Dialogue

Lao Business Forum-13th

Position Paper on Trade Facilitation

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- With respect to His Excellency, Mr. Prime Minister and Chairman of the Meeting
- and to all participants

I, on behalf of the Trade and Logistics Sector Working Group, have the honor to present to His Excellency a position paper regarding the issues that is related with trade facilitation which consist of:

1. Facilitating domestic movement of goods and goods in transit
2. Fees and collection method of fees related with logistics and transport of goods

Details of the issues are as follows:

1. Facilitating domestic movement of goods and goods in transit

Current Situations:

1.1.Document procedure for customs clearance, and limitations of borders operating hours

This issue was also discussed at the 10th Lao Business Forum, regarding the inspection of import/export and declaration of goods, especially at the Friendship Bridge 1, which is considered an important checkpoint where it has a large number of goods. In the recent past, the process of inspecting documents at customs borders has been slightly improved, but is still too slow and time-consuming. In addition, the operating hours of the Friendship Bridge 1 was too limited and is not favorable for the import-export of goods. Thus, this was not seen as supportive to trade and investments.

1.2.Implementation of bilateral transport agreements

It is seen that the bilateral transport agreement has not clearly define the issue of importing foreign unloaded vehicles to transport goods out of Lao PDR. Certain types of goods require the use of specific foreign vehicles to transport goods out of the Lao PDR, including the goods produced in special economic zones. Importation of unloaded foreign vehicles incurred fees which must be paid to the authorities per trip/vehicle. However, such fees are not clearly defined in legislation, making the implementation inconsistent across the country.

1.3.Transit Goods Service

The issue of procedures for acquiring approval of the list of general transit goods (at least six-month in advance), in which the goods are not on the list of prohibited goods was raised in the 10th, 11th and 12th Lao Business Forums. Recently, to solve this issue, the

Customs Department stated that the ASEAN Customs Transit System (ACTS) will be used. However, most transport and logistics service providers find that the use of such system is not practicable as it is still in the pilot stage. Hence, there is no initiative to use it yet. Therefore, most transport and logistics service providers are still facing difficulties of having to request for permission for transiting of general goods, especially when there is a request for transiting new products that are not already on the approved list, that the service providers have to acquire in advance.

1.4. Dry Port

The Ministry of Public Works and Transport is implementing a logistical strategic plan, which aims at reducing transportation costs by establishing distribution centers (dry ports) and transport stations at nine locations across the country. The aim of this initiative is to reduce the costs of production and cost of goods and services for the people of Lao PDR, as well as for attracting FDIs. However, after the dry ports were established and operated, businesses that used to provide warehouse and transportation services (similar services that are provided in the established dry ports) were not allowed to provide such service anymore, both within and outside of the dry ports. This created an unfair monopoly, causing transportation costs to be high, and in turn leads to economic inefficiency.

Proposed Recommendations

1. Propose that The Ministry of Industry and Commerce, as the Trade Facilitation Secretariat, to be responsible for monitoring the implementation of all relevant existing decrees and orders; also, to be the focal point for coordinating with the relevant departments to eliminate blockages and bottlenecks in the flow of goods across borders and those circulating in the country.
2. Propose to the Customs Department that automated permission method should be used for permission procedure of general goods transit, i.e. the goods that are not in the government's controlled or prohibited list. In other words, the Customs Department should eliminate the approval process of the transit of general goods until ACTS system can be properly functioned.
3. The government should reconsider the operations of the current established dry ports by opening up equal opportunities for businesses to compete and invest in quality services within and outside of the dry ports, thereby, lowering transportation prices, and manufacturing costs, which in turn will lessen the costs for consumers, and increase competitiveness of businesses in Lao PDR
4. The Customs Department should further streamline procedures for custom clearance at all international checkpoints, and consider extending the operating hours of Friendship Bridges, including weekends and public holidays, to efficiently facilitate trades for Lao PDR.
5. The Ministry of Public Works and Transport should officially specify the procedures and fees for import of unloaded trucks, so that the implementation can be consistent across the country.

2. High shipping / transportation costs

Current Situation:

2.1. Setting up checkpoints within the country

Since the issue of checkpoints and the toll collection was raised in the last Lao Business Forums, it was noticeable that the relevant departments have made effort to improve the legislation, by ordering to remove all unofficial checkpoints. However, on some occasions there are still some checkpoints that were randomly set up along the

national main roads, especially at the traffic light junctions, weighing stations (where the government has already issued orders to stop), as well as interprovincial checkpoints.

2.2. Collection of fees not in accordance with the Presidential Decree No. 002

Expensive transportation costs are major obstacle to all aspects of doing business in Lao PDR and are important factor, hindering foreign investment, as the costs have a direct impact on production and commodity prices. Overall, the factors that make Lao PDR's transportation prices much higher than those of neighboring countries are due to trade imbalances and rising of all transportation costs, both officially and unofficially. Through the consultation process on this issue at the previous Lao Business Forums, Ministry of Finance has developed an electronic system for collecting fees and charges related to the transportation of goods through the SmartTax system at various customs checkpoints across the country, which the operators see as a step towards a well-rounded and verifiable improvement. However, there are still many fees and charges related to the transportation of goods that are still being collected in the traditional way and often are not in accordance with the Presidential Decree No. 002/ or without receipts and/or inconsistent across the country.

2.3. Service fees for inspection of goods through x-ray scanner

The Government has issued Notification No. 468/PMO dated 10 April 2021 and No. 1016/MOF dated 23 February 2021 on the collection of fees and inspection services through x-ray scanner system for import-export and transit of goods. Currently, the fee has been collected by customs officials and the system management unit at the border checkpoints at the rate of 575,000 kip per trip/ vehicle, while the fee at the checkpoints that do not have the x-ray scanner is 350,000 kip/trip/vehicle. By bearing such high cost, shipping service providers will have to increase the cost of services for consumers, making transportation cost too high for Lao PDR, comparing to the neighboring countries.

Proposed Recommendations

1. The Ministry of Industry and Commerce, in coordination with the relevant parties, shall take measures to remove unofficial checkpoints, and the official checkpoints that continue to collect unofficial fees, so as to facilitate the flow of goods within the country.
2. The Ministry of Finance should consider improving fees collection methods, especially by widening the scope of the Smart Tax system, so that all transportation fees can be paid via the system. This will increase transparency and tracking ability of fee collection for the government and businesses, while also reducing the problem of cash handling.
3. As there were many cases, regarding the collection of fees that are not in accordance with the Presidential Decree No. 002/, the Ministry of Finance should be designated as a focal point for monitoring the implementation of the Decree at both the central and local levels.
4. Propose to the government to reconsider all costs that are related to transportation, with the aim of reducing compliance costs for businesses, which will encourage both domestic and foreign investments in the country.

Thank you