

Issues and Requests Relating to Foreign Trade and Investment - Laos

Category	No	Issue	Issue Details	Requests	References
7 Procedures for the operation of the Foreign Investment Law	(1)	<u>Poor Foreseeability in Laws and Policies Relative to Investment</u>	- <u>Laws and policies relative to investment and incentive measures to foreign funded enterprises are not published in a readily available manner.</u>	- <u>It is requested that government of Laos (GOL) ensures:</u> -- <u>a sufficient lead-time before adoption or revision of new investment related legislation and policies, and</u> -- <u>compatibility with other laws in implementing investment incentive legislation.</u>	
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	<u>Delayed/ Nebulous Procedures for Import Licence with Incentives</u>	- <u>A member firm's subsidiary (MFS)'s factory plans to import sorting machines from Thailand. However, MFS faces much delay in acquisition of exemption licences for import duty and VAT. Response from the government officials varies from one person to another on the requisite approval procedures. MFS faces delays in opening the factory operation.</u>	- <u>It is requested that GOL takes step to clarify the means to proceed with the requisite procedures.</u>	- <u>Investment Promotion Law, Articles 52, 53</u> - <u>VAT Law, Article 19</u>
12 Exchange Controls	(1)	<u>Restricted Exchange of Lao Currency Kip into Foreign Currency</u>	- <u>A member firm's subsidiary (MFS) distributes products in kip, the local currency, and imports, in foreign currency, fertiliser and processing equipment (including consumable supplies) so that necessity arises for conversion of Kip in hand into foreign currency. However, Bank of Lao PDR (BLPDR) notification restricts currency conversion. It will likely impact MFS's business activity.</u>  - <u>In effect, payments in kip take place only in small transactions, while all other transactions are made in foreign currency. MFS must rely on remittance in foreign currency from its headquarters in Japan to meet its fund requirements, being unable to covert its kip capital fund into foreign currency.</u>	- <u>It is said that the Notification is prompted by the need to put a stop to the dwindling central bank foreign exchange reserve. However, it is requested that central bank pays attention not to disturb business activity in the private sector.</u> - <u>It is requested that BLPDR allows FFEs' conversion of kips into foreign currency at commercial banks (including the online banking).</u>	- <u>"Central Bank Notification on Sales in Foreign Currency" of 5 August 2013</u>
16 Employment	(1)	<u>Nebulous acquisition procedures for Multiple-Entry Visa</u>	- <u>A long-term multiple-entry visa, stay permit, and work permit are hard to obtain. In addition, the procedures/periods for their acquisition remain unclear.</u>	- <u>It is requested that GOL:</u> -- <u>defines the exact acquisition procedures and the period of time necessary for acquisition of long-term multiple-entry visa, stay permit, and work permit, and</u> -- <u>optimises the entire process crystal clear and justifiable.</u>	

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	(2)	<u>Increased Burdens upon Employers by Labour Act Amendment</u>	<u>Amended Labour Act in October 2014 (ALA) holds employers responsible for payment of severance indemnities to employees (without employment agreement with less than 3-years of limited service). In addition, ALA holds employers responsible to employ full-time medical service provider in the case of employment of more than 50-workers in remote area.</u>	<u>It is requested that GOL postpones or repeals the provisions, as it aggravates the foreign investment environment.</u>	<u>Amended Labour Act in October 2014</u>
	(3)	<u>Increased Burden upon Enterprises by Amended Scheme on Social Security</u>	<u>Enterprises must shoulder increased cost of social security for employees of 6% from the previous 5% due to amendment of the scheme on social security.</u>	<u>It is requested that that GOL takes step to postpone or repeal</u>	<u>Law on Social Security, Ref. No 34 / NA Vientiane, on 26 July, 2013</u> <u>Presidential Order of 20 August 2013</u> <u>Minister's Recommendation on Implementing Social Security Law (No.0283/MLSW)</u>
	(4)	<u>Shortage of Engineers</u>	<u>A member firm engaged in recruiting human resources business focused on engineers (mechanics and quality control), confronts difficulties in locating human resources (especially maintenance staff for manufacturing equipment).</u>	<u>It is requested that GOL takes step to develop superior technical engineers.</u>	
21	Restrictions on Land Ownership	(1) <u>Disunity in Administration of Land Utility Licence</u>	<u>A member firm had obtained GOL's licence for the afforestation lot (or its candidate lot) on which it was later found that the licence had been issued to another enterprise. It has taken much time and effort for settlement of the problems through a series of the tri-lateral consultation among GOL, MF and the other enterprise).</u>	<u>It is requested that GOL and the District Administration Office:</u> <u>-- share the information on land utility, and</u> <u>-- unify the administration for allocation of land lot on new businesses.</u>	
22	Environmental Pollution and Waste Disposal	(1) <u>Inadequate Laws and Facilities on Wastes Disposal</u>	<u>A member firm's subsidiary desiring to take proper measures for wastes disposal finds the relative laotian legislation is inadequate, hence no facilities are available for wastes disposal in Laos.</u>	<u>It is requested that GOL takes step to expedite preparation for both legislative and wastes disposal facilities for dealing with environmental problems which will occur near future.</u>	

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23 Inefficient Administrative Procedures, Regimes and Practices	(1)	<u>Nebulous Legislative Scheme/ Administrative Procedures</u>	- <u>It takes much time for completing the VAT refund procedures: from VAT payment by end-users, restricted entry/exit of unloaded trucks, payment of temporary bond on imported raw materials for further processing of export products, etc..</u> <u>Public - Private Joint Exchange of Dialogue Conference under the arrangement of Japan Embassy and Japan Chamber of Commerce and Industry (Laos) was held to confirm open issues. (At the 8th Meeting in December 2015).</u>	- <u>It is requested that GOL takes step to get the legislation immediately:</u> <u>-- translated into English and Japanese</u> <u>-- centrally administered (to deal with too numerous legislations (prime minister's orders, ministerial orders, directorate general decrees, provincial orders, etc.))</u>	
	(2)	<u>Insufficient Understanding of Laws and Regulations</u>	- <u>The GOL legislative orders fail to reach the end organisation in every nook and corner of the entire motherland, so that there was no uniformity in understanding of the GOL legislation by the local officers, preventing smooth flow in the administrative procedures.</u>	- <u>It is requested that GOL takes measures to get the legislation fully understood all through to the very end of the organisational structure.</u>	
24 Indigested Legislation, Abrupt Changes	(1)	<u>Incompatible, Disunified Legislative Scheme and Procedures</u>	- <u>There has been no window provided for consulting the issues over contradiction among legislative provisions and diversity in their interpretation and implementation.</u>  <b>(Actions)</b> - <u>In October 2010, one stop service was opened by investment promotion department of ministry of planning and investment.</u>	- <u>It is requested that GOL takes initiatives in expressly identifying the Substantive Procedures and improving the Existing Procedures (in regard to: cutdown in time, simplification and increased transparency) at all offices in concern, starting from investment promotion department (IPD), prefectural planned investment office, ministry of industries and commerce (MIC) / prefectural MIC offices.</u>	- <u>Investment Promotion Department Law, Article 44, One Stop Service (OSS)</u>
	(2)	Nebulous Systems related to Afforestation	- <b>Due to the nebulous scheme concerning lease of afforestation land, afforestation, logging and export, in practical terms, all governmental supervisory agencies that are deemed to have some relation, individually conduct the same sort of examination procedures. This takes much time and cost.</b> <b>While "one stop service" has been set in place, in practice, it does no function, at all.</b>	- It is requested that GOL constructs an efficient and clear system by clarifying its purpose. - It is requested that GOL sets in place so-called one stop service.	- The Land Act - Forest Act - Tariff Act - Related President Decree, and Premier Decree

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				<p><u>- A Member Firm's Subsidiary (MFS) was forced to follow the administrative procedures in transport of afforestation trees, comparable to transport of natural trees. While the requisite documents seem to have similar contents, separate set of documents must be prepared for each agency (forestry commission, bureau of commerce and industries, bureau of taxation, etc.), taking time and cost far above the estimate.</u></p>	<p><u>- It is requested that GOL controls separately natural trees and a forestation trees in principle. The sharing of common documentary forms (so-called one stop service) is one of the ideas required.</u></p>	<p>- Premier's Notification on "Export of Afforestation Trees and Sawed Woods" of 12 February 2010, etc. - MAF Minister's Notification on Related Issues, etc.</p>