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GAIN Report

Global Agricultural Information Network

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Laos

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Laos Exporter Guide

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Exporter Guide

Canned Deciduous Fruit

Agricultural Situation

Dairy and Products

Wine

Livestock and Products

Fishery Products

Fresh Fruit

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Report Highlights:

In the last decade, Laos has experienced significant industrial and economic growth fueled primarily by the mining and tourism industries. The latter remains the main driver for demand for high-value consumer oriented agricultural exports to Laos.

Disclaimer

This report was prepared by the Office of Agricultural Affairs of the USDA/Foreign Agricultural Service in Hanoi, Vietnam, for U.S. exporters of domestic food and agricultural products. While every possible care was taken in the preparation of this report, information provided may not be completely accurate due to policy changes since publication. It is highly recommended that, before any goods are shipped, U.S. exporters verify the full set of import requirements with their foreign customers, or work with a trusted importer, as these entities are normally best equipped to research such matters with local authorities. Final import approval of ANY product is ALWAYS subject to the importing country's rules and regulations as interpreted by border officials at the time of product entry.

I. Market Overview

Although Laos is the least developed country bordering Vietnam, China, Myanmar, Cambodia, and Thailand, over the past decade, Laos has enjoyed relative peace and stability. This period has coincided with strong and sustained poverty reduction and economic growth, allowing for a potential increase in export opportunities due to a higher rate of income. Poverty, however, continues to be a major issue in Laos with an estimated 27 percent of the population living under the World Bank's indicated USD \$1, per day, poverty line. Regardless, it is predicted that the economy will expand by 7 percent and 7.5 percent in 2010 and 2011, respectively. Laos exports wood products, coffee, electricity, tin, copper, and gold. World market prices for these commodities are expected to remain high during 2010 and 2011, allowing for more prosperity of the Lao people.

The Government of Laos (GoL) has targeted tourism, especially ecotourism, as a major area of future economic growth; in fact, Laos was rated the #1 "Place to go" by the New York Times in 2008. Additionally, due to the centrality of Laos' location, the lack of laws regarding gambling, and the prosperity of its neighboring countries, certain regions in Laos have become tourist "hot spots" for Vietnamese, Chinese, and Thai travelers. In 2009, 2.2 million tourists visited Laos, and this

number is suspected to increase to 3 million tourists in 2011. This growth in tourism will also amplify demand for high value hotel and restaurant food and beverage supplies, which provides the main opportunity to grow U.S. food and agricultural exports.

Laos became a member of ASEAN in 1997 and has committed to bringing its tariff rates into line with its ASEAN Free Trade Area (AFTA) commitments. Currently, Laos is in negotiations to join the World Trade Organization (WTO). The GoL is open to foreign investment as a matter of policy. However, although the GoL allows 100 percent foreign ownership of investments, the overall investment climate remains poor and improvements come slowly. Not surprisingly, Laos continues to rate very low in international indices of transparency and ease of doing business.

Exports and investments from Thailand, Vietnam, and China dominate the Lao economy, with heavy participation in certain sectors by Korea, France, Japan, India, Malaysia, Singapore, and Australia. American companies play almost no role in Laos at this time: Laos was the United States' 188th largest export market in 2008. Nevertheless, U.S. total exports to Laos in 2009 were \$20 million, up 11.5 percent (\$2 million) from 2008. Moreover, 2008 total exports were \$18 million, up 235.7 percent (\$13 million) from 2007. However, U.S. exports of food and agricultural products to Laos totaled \$489 thousand in 2009, down significantly from \$898 thousand in 2008. Most of this decrease was due to reduced exports of rice and pulses. However, notable increases were realized in exports of high value consumer oriented goods, such as dairy products and processed fruits and vegetables.

Advantages	Challenges
<p>In 2009, there were 2.2 million tourists visiting Laos. This number is expected to increase to 3 million in 2011. As such, many high end hotels and restaurants need to secure a dependable supply of high quality food and beverage products to meet their customers' desires. The GoL has targeted tourism as a key area for economic growth.</p>	<p>Laos occupies a landlocked, central geographic position in the Mekong sub-region, which means imported and exported goods must traverse through Thailand, China, or Vietnam, all of which have cumbersome import procedures for transit goods.</p>
<p>There is very little market investment for importing high quality goods. Therefore, there are currently very few market competitors.</p>	<p>The population of Laos is very small, predominantly uneducated, and primarily living below, or very close to, the USD \$1, per day, poverty line. The Lao people are comprised of more than 47 key ethnic groups and use four principle languages, making advertising and marketing fairly difficult.</p>
<p>Many of the owners and operators of Laotian hotels and restaurants are from Europe or Australia, making it easier to conduct marketing in English. Additionally, foreign hotel and restaurant owners are usually more interested in bringing foreign products into Laos.</p>	<p>Customs procedures, commercial law, and the court system are often corrupt and are developing very slowly. Levied duties often do not correspond with listed tariffs, and business disputes are rarely adjudicated in favor of the foreign business.</p>
<p>Throughout the country, U.S. food and beverage products are recognized as being consistently of high quality.</p>	<p>Road conditions, which vary greatly throughout the country, contribute to the difficulty in getting products to cities that do not closely border Thailand or Vietnam. Additionally, the capabilities and service record of Lao trucking companies, which transport imported goods, are generally poor due to a lack of adequate skilled labor and financial capital.</p>
<p>Laos is a member of ASEAN and is currently in</p>	<p>Lao laws and procedures are subject to change</p>

<p>negotiations to enter the WTO. Membership in these international fora should push Laos to adopt more transparent trade laws.</p>	<p>with minimal notice and without prior consultation with, or notification of, the private sector.</p>
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II. Exporter Business Tips

- Lao official working hours are from 8:00 am to 12:00 pm and from 1:00 pm to 4:00 pm, Monday thru Friday.
- Lao people should be addressed by their first names, preceded by their title ‘Mr/Madame’ or ‘Than’ (the later if they occupy a position of respect). For example: Madame Sivanphone; Mr. Oudet.
- Bargaining is expected in most commercial transactions; however, most hotels and restaurants are managed or owned by European or Australian citizens and, in these cases, different customs are employed.
- For men, a shirt and trousers are appropriate for business meetings. Jackets and ties are generally worn only on formal occasions. Lao women usually wear long skirts with a blouse or sleeveless top.
- “Lao” or “Laotian” are both correct terms when referring to the people and the language of Laos.
- Business relationships in Laos are not as formal as those in other Asian countries. However, U.S. businesses seeking to enter the Laotian market should plan to visit the country several times before entering into serious negotiations. Due diligence is necessary before doing business in Laos; if there are problems, the legal system will rule in favor of the Lao partner over the foreign one.

- Lao is the national language. Due to the similarity of the Lao and Thai languages, many Lao are able to speak and understand Thai, as well. The overall percentage of the population that speaks English is very low.
- Laotian people prefer spicy foods. Thai and Indian foods are very popular.
- Exporters should work with a trusted Lao importer in order to decrease the likelihood of non-payment for goods as well as preempt the need for licensing to import. Imported products must be accompanied by: 1. airway bill or bill of lading; 2. a commercial invoice indicating the buyer and seller of the goods and price paid; 3. a packing list; 4. an import permit from the Ministry of Commerce; 5. any other permits from relevant ministries; 6. if required, a certificate of origin; and 7. a declaration form. Exporters should work closely with their importer in order to ensure that all of these documents are provided.
- Most imports enter Laos through Thailand, although trade through Vietnam occurs, as well. Products only go through customs in Laos if that is their final destination. Neither Thailand nor Vietnam charge tariffs for products transiting through their respective countries; however, transportation costs will have to be paid.
- Goods should be carefully packaged to protect against adverse weather conditions, particularly heat and humidity. There is little to no cold storage in Laos.
- Quotes for payment are usually on a CIF basis in U.S. dollars. Initial transactions should be confirmed by an irrevocable letter of credit. There is only one international bank, the Australian and New Zealand Bank, currently operating in Laos. This bank offers letters of credit if requested.
- Nearly every container that enters Laos at a formal border checkpoint is inspected, and foreign businesses regularly complain of irregularities and corruption in the clearance process. A large percentage of goods entering Laos do so informally as border control is weak. Although customs procedures in Laos have improved since the introduction of the ASEAN Harmonized Tariff

System, a large number of approvals and informal payments are often still required to get through the process.

III. Market Sector Structure and Trends

Food Retail

- Laotian people prefer to shop at local food markets, known as wet markets, where products are locally grown or imported from Thailand.
- There is a growing foreign community in Vientiane and Luang Prabang. Accordingly, an increasing number of mini-markets and import super markets are being opened to meet the demand from Australian, American, and European expatriates.

Hotel, Restaurant, and Institutional (HRI) Food Service

- Growth in the tourism industry represents a key opportunity for the HRI sector. Approximately 2.2 million tourists visited Laos in 2009, and 3 million are expected to visit in 2011.
- Most restaurants and hotels are supplied by local producers and imports from Thailand.
- Products with the greatest demand are: beef, fresh seafood, high quality canned goods, fresh fruits, and wines.
- Many high end hotels and restaurants are privately owned. However, there are Best Western and Novotel hotel franchises in Vientiane.

Food Processing

- Very little food processing takes place in Laos. Most of the export potential in Laos is for already processed goods, such as canned products.

IV. Best Consumer Oriented Product Prospects

Based on consumer (tourist and native) preferences and Laotian market trends, ample U.S. export opportunities exist for the following products:

- Frozen and chilled beef
 - There is a demand for value-added beef products such as Halal beef, pre-packaged, pre-cut steaks, pre-made hamburger patties, and pre-seasoned beef products.
 - The availability of European or American butchers is low and hotels and restaurants want products that are easy to prepare for their Lao employees.
- Canned goods
 - There is a demand for high quality canned goods, especially canned tomatoes and canned fruits to be used for deserts and pastries.
- Fresh seafood
 - Laos is landlocked, so the availability of fresh seafood is low.
 - Many tourists staying in high end hotels and frequenting high end restaurants request fresh seafood on the menu.
 - Currently, the supply of seafood is not to the standards of five star establishments.
- Fresh fruits and vegetables
 - These products are desired as the current supply is not up to standard and availability is unpredictable.
- Wine
 - Although not the most demanded U.S. product, there is interest in U.S. wines as another wine option for high end hotels and restaurants. American spirits, however, are readily available in Laos, so there is little interest in importing even greater quantities than what can already be found in shops in the major Laotian cities.
 - Australian wines are the most widely available and account for a large percentage of the market share, along with French wines.

V. Key Contacts and Further Information

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Appendix

2009 Economic Indicators for Laos

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	N/A
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	N/A
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	N/A
Total Population (Millions)/Annual Growth Rate (%)	6.8/2.3
Urban Population (Millions)/Annual Growth Rate (%)	1.97/2.3
Number of Major Metropolitan Areas	0, Vientiane is the largest city with approximately 740,000 people.
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	2,100.00
Unemployment Rate (%)	2.5
Per Capita Food Expenditures (U.S. Dollars)	75, per household
Percent of Female Population Employed (%)	78.1
Exchange Rate (US\$1=X.X Local Currency)	8,204.21 Lao Kip/1 USD

Source: United States Commercial Service; 2009 Laos Commercial Guide