



EUROPEAN COMMISSION

Brussels, 24.9.2012  
COM(2012) 534 final

2012/0255 (NLE)

Proposal for a

**COUNCIL DECISION**

**establishing the European Union position within the General Council of the World Trade Organization on the accession of the Lao People's Democratic Republic to the World Trade Organization**

## **EXPLANATORY MEMORANDUM**

### **I. INTRODUCTION**

Members of the World Trade Organization (WTO) and the Lao People's Democratic Republic (Lao PDR) have reached the concluding stage of an agreement on the terms for Lao PDR's accession to the organization. This comes after 14 years of negotiations, which began when Lao PDR submitted its application to join the WTO in 1997. Lao PDR's request for accession has been examined in accordance with the guidelines set out in the WTO General Council Decision of 10 December 2002 on the accession of least-developed countries (LDC) and there must now be a Council Decision approving the terms of Lao PDR's accession, before the EU can formally support Lao PDR's entry.

A summary of the terms of the accession is set out below.

### **II. SUMMARY OF TERMS OF LAO PDR'S WTO ACCESSION BY SECTOR**

#### **Schedule of commitments**

The average final bound rate (FBR) in the accession schedule of Lao PDR is 18.4 %.

Whilst the average FBR is slightly lower at 17.8% for agriculture products than the 18.6% observed for industrial goods, the tariff peaks are higher in agriculture (90% versus 50%) .

Lao will implement the FBRs from the date of accession, with only a few products with a transition period for implementation (rice, cereals, petrol products).

These average levels for tariffs are quite reasonable considering the LDC status of Lao PDR as well as the small size and vulnerability of its economy. Past EU practice in relation to LDCs has been to accept as reasonable these tariff levels for comparable-sized economies.

#### ***Industrial Goods***

- The average FBR for non-agriculture products is 18.61%.
- The highest averages of around 35% are observed in the leather, furniture and wood sectors.
- The lowest, around 7%, relates to Information Technology (IT) products, agricultural equipment and steel products.
- The highest tariff peaks in the different industrial sectors are all equal or below 50%, the only exception being motorcycles at 60%.

#### ***Agricultural goods***

- The average FBR for agriculture products is 17.9%.
- The highest tariff peaks in agriculture are in rice at 80% and 90%, followed by tobacco and coffee at 60%.

#### ***Services***

Lao PDR's schedule of specific commitments in services is satisfactory considering its LDC status. Lao PDR will undertake market access and national treatment commitments in a broad range of services sectors, including professional, computer and other business services, communication services (courier services and telecommunications), construction, distribution, private educational, environmental, financial (insurance and banking), private health related services, tourism and transport services (air transport).

#### **Protocol commitments**

In the final, multilateral stage of the accession process, WTO Members collectively sought to ensure the basic compatibility of Lao PDR's trade laws and institutions with WTO rules and agreements, setting these out in the Protocol of accession and Working Party Report. The following issues are of particular interest to the EU:

#### Trading rights

Lao PDR confirmed that it would grant any natural or legal person of a WTO Member, regardless of physical presence or investment in Lao PDR, the right to be the importer of record no later than two years from the date of WTO accession for a limited number of products (rice, petroleum and gas, specific articles of iron and steel), and from the date of accession for all other goods. Pursuant to the same timelines, Lao PDR will grant trading rights in a non-discriminatory and non-discretionary manner in conformity with the WTO Agreements. From the date of accession, all fees and charges for services rendered, applied on or in connection with importation and exportation will conform to the WTO Agreements.

#### Customs valuation

By the date of accession, Lao PDR will fully apply the WTO provisions concerning customs valuation, including the WTO Agreement on the implementation of Article VII of the GATT 1994 and Annex I (Interpretative notes).

#### Main areas where a transition period has been requested

*Safeguard legislation:* Lao PDR has engaged in the process of drafting legislation but required a transition period of 5 years after accession to enact legislation in conformity with the provisions of the WTO Agreement on Safeguards. Lao PDR stated that in the meanwhile, it would generally only take action in conformity with the said provisions.

*Technical Barriers to Trade (TBT):* Lao PDR will progressively implement the WTO Agreement on TBT with full implementation as from 1 January 2015.

*Sanitary and Phytosanitary measures (SPS):* Lao PDR submitted an action plan for implementation of the SPS Agreement. Lao PDR's legal framework on food security, animal and plant health will be in compliance with the SPS Agreement by 31 December 2012. Full implementation will start as from 1 January 2015.

*Intellectual property rights:* By the date of accession, Lao PDR will have passed legislation bringing its intellectual property scheme into conformity with the WTO rules; full implementation will be ensured by December 2016.

*Transparency:* Lao PDR took the commitment to establish the Official Gazette within 3 years after accession. In the meanwhile, Lao PDR will fulfill its publication commitments through the use of official websites or newspapers.

### **III. RECOMMENDATION**

In submitting the terms of Accession of Lao PDR to the WTO for approval by the Council, the Commission considers these terms as representing a balanced and ambitious package of market opening commitments, which will bring substantial benefits to Lao PDR and its WTO trading partners alike.

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## **COUNCIL DECISION**

### **establishing the European Union position within the General Council of the World Trade Organization on the accession of the Lao People's Democratic Republic to the World Trade Organization**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 91, 100(2) and 207(4), in conjunction with Article 218(9) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) On 16 July 1997 the Government of the Lao People's Democratic Republic (Lao PDR) applied for accession to the Marrakesh Agreement establishing the World Trade Organization (WTO), pursuant to Article XII of that Agreement.
- (2) A Working Party on the accession of Lao PDR was established on 19 February 1998 in order to reach agreement on terms of accession acceptable to Lao PDR and all WTO Members.
- (3) The Commission, on behalf of the Union, has negotiated a comprehensive series of market opening commitments on the part of Lao PDR which satisfy the Union's requests and are in line with the development level of Lao PDR.
- (4) These commitments are now embodied in the Protocol of Accession of Lao PDR to the WTO.
- (5) Accession to the WTO is expected to make a positive and lasting contribution to the process of economic reform and sustainable development in Lao PDR.
- (6) The Protocol of Accession should therefore be approved.
- (7) Article XII of the Agreement establishing the WTO provides that the terms of accession are to be agreed between the acceding Member and the WTO, and that the Ministerial Conference of the WTO approves the terms of accession on the WTO side. Article IV.2 of the Agreement establishing the WTO provides that in the intervals between meetings of the Ministerial Conference, its functions shall be conducted by the General Council.
- (8) Accordingly, it is necessary to establish the position to be taken by the Union within the General Council of the WTO the accession of Lao PDR to the WTO,

HAS ADOPTED THIS DECISION:

*Sole Article*

1. The position to be taken by the European Union within the General Council of the World Trade Organization on the accession of the Lao People's Democratic Republic to the WTO is to approve the accession.
2. This Decision shall enter into force on the day of its adoption.

Done at Brussels,

*For the Council  
The President*