



Industrial Development Strategies for Lao PDR

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Why and What Lao PDR at the Crossroads?

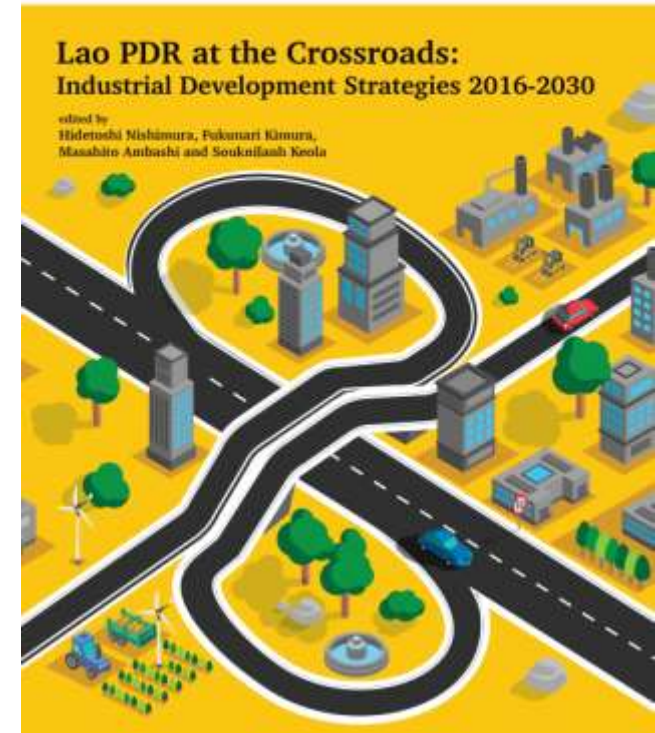
- “Crossroads” has two meanings:
 1. The timing currently Lao PDR is facing when alternative policies and strategies are required.
 2. The geographic weakness of a “landlocked” country turns the potential strength of becoming a “land-linked” country.

[Industrial development]

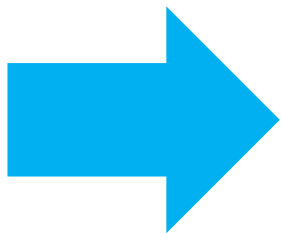
[Taking advantage of global/regional value chains and production networks]



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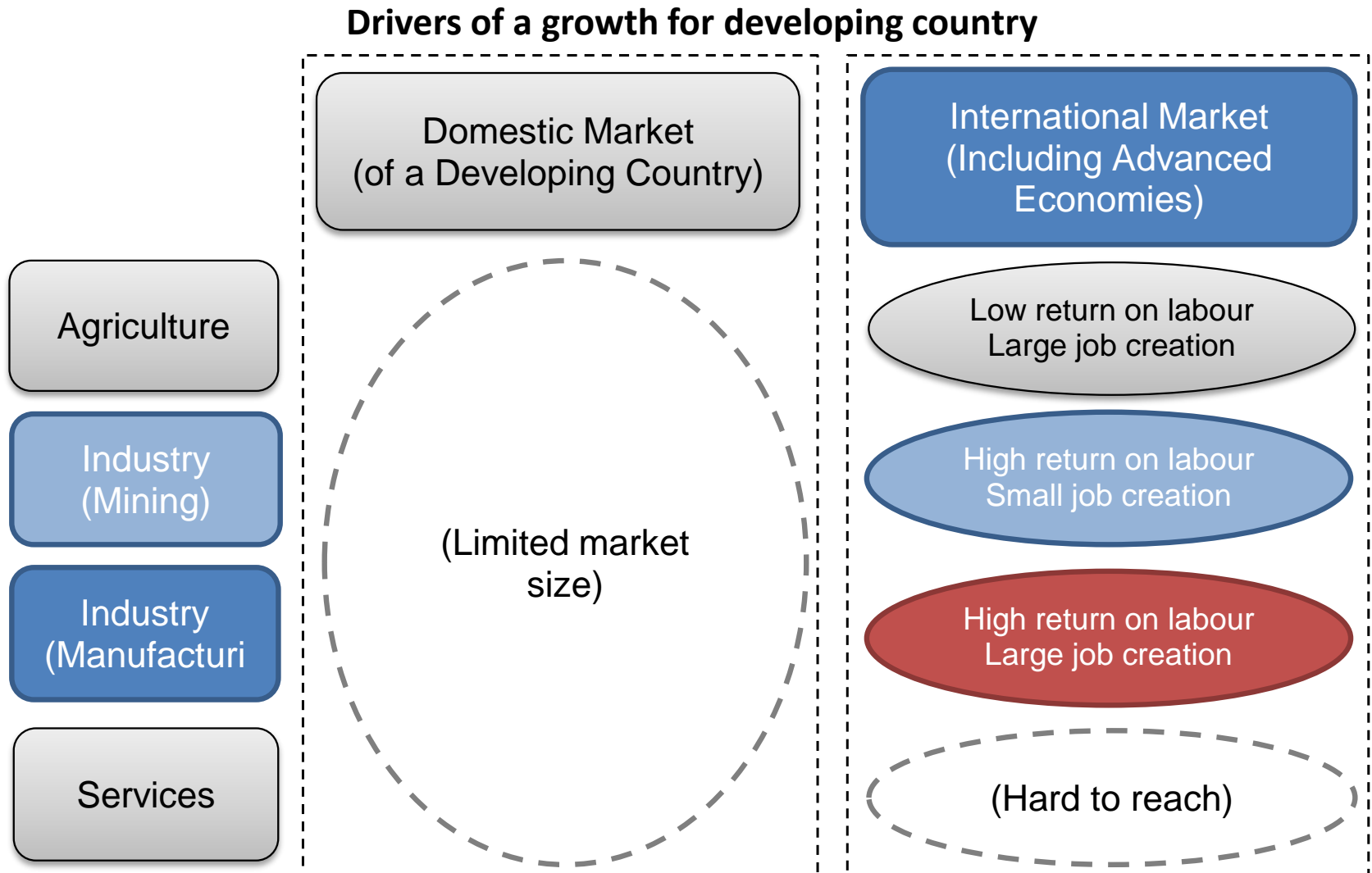


“Lao PDR at the Crossroads” is one of answers to summit theme in 2016: “Turning Vision into Reality for Dynamic ASEAN Community”, which was a great contribution made by Lao PDR.



Strategy 1: Manufacturing Promotion

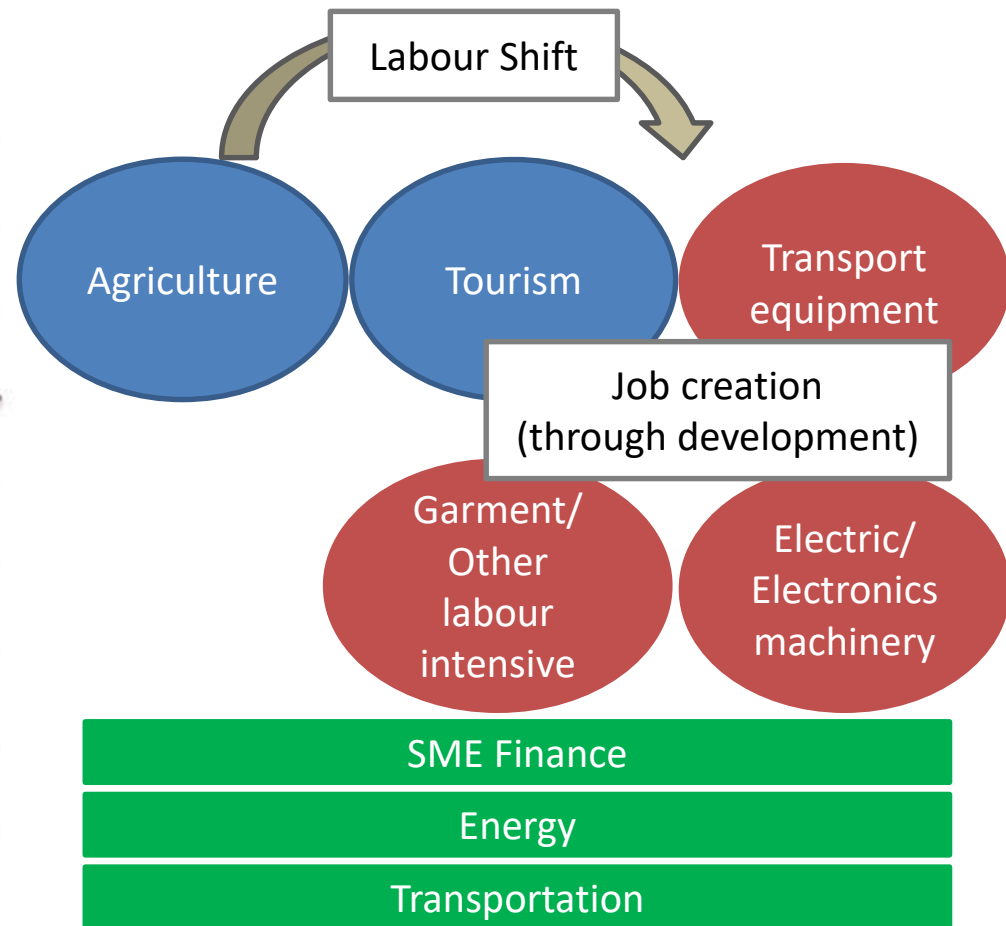
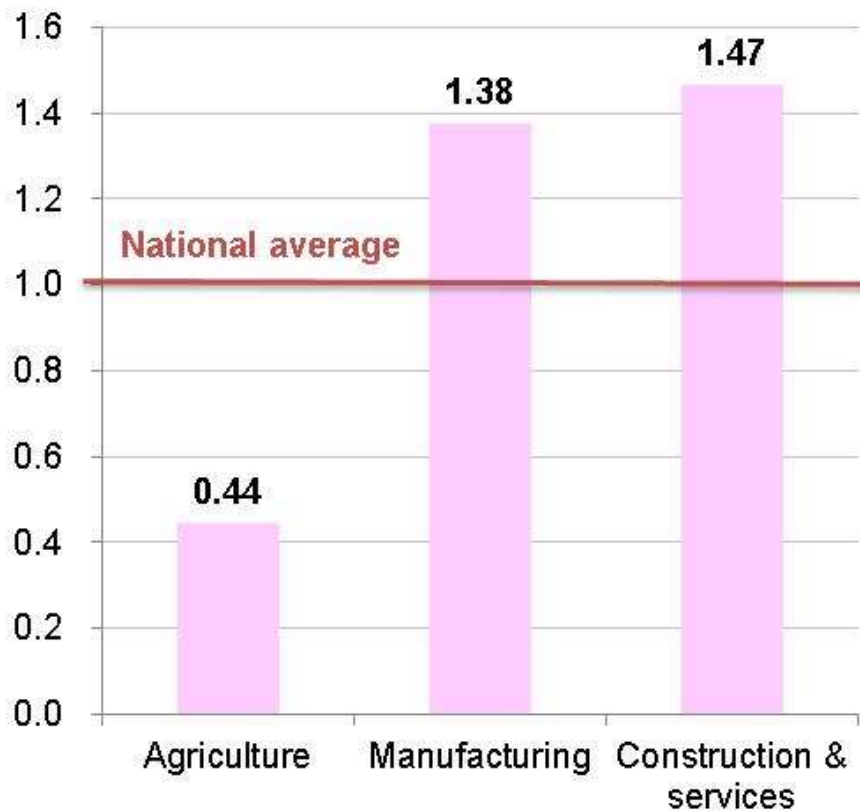
- Export-oriented manufacturing is the key in terms of:
(1) market size, (2) labour productivity, and (3) job creation.



Strategy 2: Productivity Improvement

- Labor shift benefits the whole economy of Lao PDR by realising:
 - (a) Agricultural productivity increase;
 - (b) Job creation through industrial promotion.

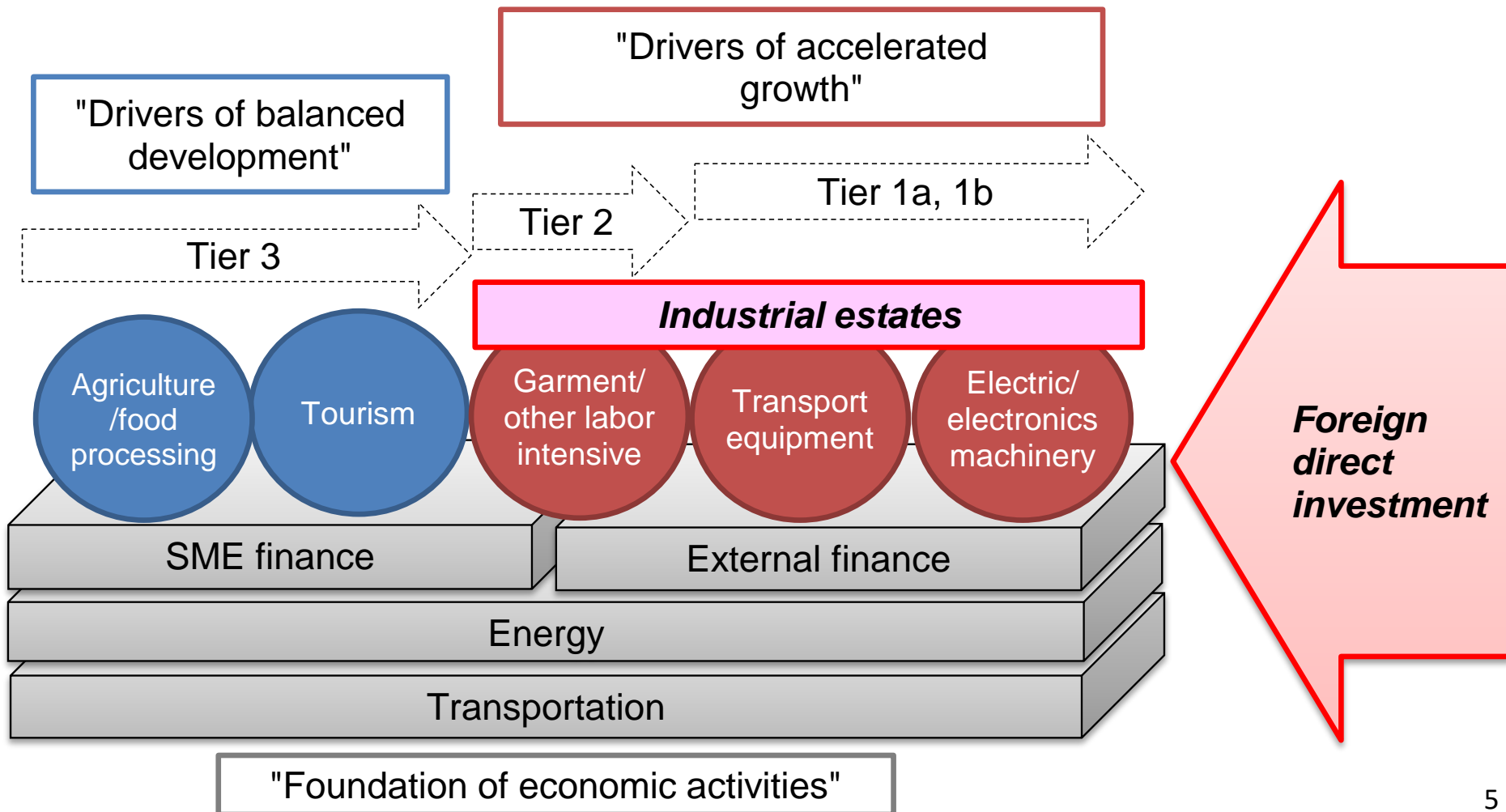
Labor Productivity in Each Sector (2013)



Source: Calculation from World Bank data.

8 Core Industrial Sectors

1. Transportation, energy, and SME finance (SME): Foundation of other sectors;
2. Agriculture/food processing and tourism: Drivers of balanced development;
3. Garment, transport equipment, E&Es: Drivers of accelerated economic growth by export.



Policy Recommendations on Industrial Sectors

Sector	Scenarios	Challenges
(1) Agriculture and Food Processing	<ul style="list-style-type: none"> • High value addition through 'sixth industrialisation' • Efficient rice production through a 'best practice' package • High-quality commercial crop production at local cooperatives • Establishment of a new value chain (e.g. dairy products) 	<ul style="list-style-type: none"> • Capacity building in farming technology • Procuring packaging materials • Improving cold chains
(2) Mining and Energy	<ul style="list-style-type: none"> • Expansion of regional power interchange • Promotion of bioethanol production 	<ul style="list-style-type: none"> • Establishing a leading position at the ASEAN Power Grid • Partnering with neighbouring countries • Establishing a subsidy system to guarantee the profitability of bioethanol
(3) Garment and Other Labor-Intensive Industries	<p>Garment industry</p> <ul style="list-style-type: none"> • Production of high value added products with low seasonality • Participation in the fast fashion supply chain for ASEAN nations <p>Other labour-intensive industries</p> <ul style="list-style-type: none"> • Production using a large amount of low-cost labour and electricity, such as copper wire, casting and moulding • Production of high value-added light products, such as medical devices 	<ul style="list-style-type: none"> • Ensuring smooth transport to Bangkok • Ensuring one-stop service at VITA Park

Sector	Scenarios	Challenges
Electric and Electronic Machinery	<ul style="list-style-type: none"> • Production of electronic components with a relatively short commodity cycle and with a flexibly adjusted production volume, such as connectors (LANs, USBs, etc.) and their cables 	<ul style="list-style-type: none"> • Improving distribution
Transport Equipment (Automobiles and Motorcycles)	<ul style="list-style-type: none"> • Production and exportation to Thailand of labour-intensive components, such as cable harness and automobile seat covers 	<ul style="list-style-type: none"> • Stabilising power supply • Improving road conditions
Tourism	<ul style="list-style-type: none"> • Promotion of ‘key visuals’ for core markets (Thailand, Viet Nam, and China) • Attraction of visitors from Japan, Korea, and China during the summer vacation season (July–August) 	<ul style="list-style-type: none"> • Investigating the needs of travellers from different countries • Improving sanitation, etc. • Relaxing the procedure for applying for a guided tour
Finance	<ul style="list-style-type: none"> • Utilisation of funds from international organisations • Capacity building of commercial banks in credit assessment • Establishment of a domestic and region-wide credit guarantee system • Capacity building of SMEs 	<ul style="list-style-type: none"> • Managing SME finance risks in the banking sector • Providing incentives for book-keeping in SMEs
Transportation	<ul style="list-style-type: none"> • Launch of consolidation services (Savannakhet Logistics Hub) • Utilisation of railways to reduce transportation costs (Vientiane Logistics Hub) 	<ul style="list-style-type: none"> • Arranging joint operation of the Savannakhet Logistics Hub by several private logistics companies • Arranging joint operation of the Savannakhet Logistics Hub between the government and the people • Improving customs

Dissemination Activities



The Mekong-Five Economic Forum
(3 July 2015)



The 8th Mekong-Japan Economic Ministers Meeting
(6 August 2016)



National Assembly Training Seminar
(21 July 2016)



National Policy Dialogue
(30 March 2016)

The Follow-up of the Lao PDR at the Crossroads

- The objective of the follow-up is to **effectively and strategically implement policy options** presented by “Lao PDR at the Crossroads: Industrial Development Strategies 2016-2030”.
- This follow-up mechanism forms a significant complement to the “8th Five Year National Socio-Economic Development Plan (2016-2020)” and “10 Year Socio-Economic Development Strategies/Vision 2030”.
- Also, it aims to be consistent with and provide inputs for existing development mechanisms such as Millennium Development Goals (MDGs) formulated by UNESCAP.



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Ministry of Industry and Commerce

Framework and Members

ERIA



GOL
(MOIC, MPI,
MPWT, etc.)



JICA, JETRO,
etc.

- Arrange “process control” workshops where the government of Lao PDR (GOL) and agencies deliberate on how to strategically implement industrial policies.

- Organize and manage proactively sub-level working groups together with agencies to discuss the details of projects.
- Communicate with MPI about promising projects if appropriate.

Cooperate with the GOL to realize projects through continuous discussions

WGs Items of the Follow-up

● **WG 1: Agriculture**

- Sending JICA agriculture experts to MOIC
- Business matching between Lao agriculture supplies and Japanese food processing companies based in Thailand
- Strategic paper of agro-processing

● **WG 2: Labour-Intensive Industries**

- Handicraft as gifts
- Strategic paper: (1) garments, (2) wood processing including furniture, (3) Artisan craft including Lao silk, (4) IT in use of cheap electricity charges, (5) One District One Product (ODOP)

● **WG 3: SMEs**

- Start-up support
- Tax–customs incentives and financial support of start-ups and innovation
- Capacity building of white paper writing on SMEs

● **WG 4 : Industrial Parks**

- Survey study on best practices of industrial estates and special economic zones in Cambodia, Myanmar, Thailand, and Vietnam
- Capacity building for improvement of management skill

Time Frame

The intended outcome is assumed by 2020.

- 1. 1st workshop (28 February 2017):**
Discuss interested projects between the GOL and agencies
- 2. 2nd workshop (8 May 2017):**
Present GOL's interested projects to agencies and have a discussion
- 3. 3rd workshop (5 September 2017):**
Report on the agreed projects and discuss how to promote these projects
- 4. 4th workshop (6 February 2018):**
Review and report on the progress of the projects launched in 2017 to the MOIC Minister, the Ambassador of Japan and the ERIA President
- 5. 5th workshop (September 2018):**
Progress report and new round of finding out new projects between the GOL and agencies

