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LDC Services: Geneva Practitioners Seminar Series: “Making Sense of GATS and Applying Good Practices in Services Negotiations”

Seminar 2: “Key Sectoral Issues and Domestic Regulation”

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“Trade in Professional Services: Experiences from Lao PDR”

WTO Building, Room B

26 February 2015



Outlines

1. Overview of Professional Services in Lao PDR
2. Commitments under WTO/ASEAN
3. Issues and Challenges
4. The way Forward

1. Overview Professional Services in Lao PDR

- ✓ Services are an important part of the process of economic diversification and development
 - Services accounted for a quarter of all trade & around 37% of GDP.
 - Previously, services sectors - dominated by public sector supply in focused areas: transportation, storage, communication and financial services.
 - Recently, tourism has grown as a source of export revenue and market-oriented reforms have given an impetus to new areas of service activity such as ICT, construction, distribution, education, environment, insurance, banking and tourism.

1. Overview Professional Services in Lao PDR

- ✓ Crucial to human capital formation
- ✓ Externality
- ✓ Improving productivity and competitiveness of economy
- ✓ Professional includes:
 - law, accounting, engineering, surveying, veterinary services, architecture and the healthcare professions
- ✓ Presentation Focused:
 - Legal,
 - accountancy and
 - engineering

1. Overview Professional Services in Lao PDR

- ✓ Legal services:
 - Essential for proper legal documentation, interpretation and representation to ensure fairness and transparency in judicial decision making, commercial transactions and investment activities.
- ✓ Accounting services:
 - Quality – ensure prudential, transparent, credible and law abiding financial transaction
- ✓ Engineering services:
 - Essential for efficient and technical sustainability of several economic activities e.g. construction, manufacturing, mining and other resource development.
- ✓ Lao PDR – considerable shortage of qualified professionals in all three services – more in legal and accounting.
 - Due to shortcoming academic facilities, institutional arrangement for professional training and development, especially, accountancy and engineering subsectors.

1. Overview Professional Services in Lao PDR

- ✓ Trade in Professional services in Lao PDR is still minimal in terms of export (no data)
- ✓ Lao PDR has imported my professional services mainly e.g. architects, construction engineering. This includes informal architects and engineering from neighboring countries.
- ✓ Legal and accounting services are provided through the foreign firms

2. Commitments under WTO/ASEAN

- ✓ These three subsectors are under the AFAS and GATS
 - Under AFAS, no commitment at all in legal services; e.g. but GATS, more liberal commitments in all three services than others.
e.g. Accounting Mode 3 “unbound” for 7 years after accession

- ✓ ASEAN Agreement on The Movement of Natural Persons in 2012

Specific Commitments and Horizontal commitments under GATS and AFAS are provided in the Attachment 1 & 2, respectively

3. Issues and challenges

- ✓ Capacity of institutions related to professional services
- ✓ Domestic Regulations
 - Law on Lawyer
 - Accounting Law
- ✓ Mutual Recognition Agreement
 - Recognizing that market access commitments may not, in fact, be sufficient to give any service supplier the right to provide services in a regulated market; particularly in professional service sectors

3. Issues and challenges

✓ Mutual Recognition Agreement under ASEAN

*“Each Member State **may** recognise the education or experience obtained, requirements met, or licenses or certifications granted in another Member State, for the purpose of licensing or certification of service suppliers. Such recognition **may** be based upon an agreement or arrangement with the Member State concerned or **may** be accorded autonomously.”*

3. Issues and challenges

- ✓ To date, the ASEAN member countries concluded seven MRAs :
 - MRA on Engineering Services - 9 December 2005;
 - MRA on Nursing Services - 8 December 2006;
 - MRA on Architectural Services - 19 November 2007;
 - Framework Arrangement for the Mutual Recognition of Surveying Qualifications - 19 November 2007;
 - MRA on Medical Practitioners - 26 February 2009;
 - MRA on Dental Practitioners - 26 February 2009;
 - MRA Framework on Accountancy Services - 26 February 2009.

3. Issues and challenges

- ✓ MRAs do not come merely from the mobility of individuals.
- ✓ All of the agreements also stress the objectives of exchanging information and promoting standards and best practice, and a number of the agreements go further in their ambition.

E.g.

- The medical practice, dentistry and nursing MRAs all flag the possibility that MRAs could provide opportunities for professional capacity building and training;
- The architectural services agreement contains the objective of promoting collaborative research and the transfer of technology.

3. Issues and challenges

- ✓ Common constraints across all of the MRA sectors:
 - A lack of local experience in regulating,
 - A lack of familiarity with the role of the regulated professions,
 - A lack of capacity and systems to manage, monitor and enforce regulation in the various MRA professions,
 - Further work required to strengthen Lao national professional qualifications.

3. Issues and challenges

- ✓ All responsible line ministries are aware of the MRAs and appear to be well versed in their obligations under them;
- ✓ All have been undertaking basic preparatory work in the form of establishing an improved legislative framework, even if this is not yet in all cases complete.
- ✓ All are aware of the need to create a Professional Regulatory Authority (PRA) structure to regulate the profession for which they are responsible.
 - Plans are at various stages of advancement but in general, remain sketchy, with most needing to draft detailed regulations to implement the high level of regulation introduced by legislation.

4. The way forward

- ✓ Strengthening the coordination among relevant ministries to strategize the enhancement of qualification of locals
- ✓ Strengthening capacity building for institutions in terms of qualification enhancement through trainings and curriculum in the University/higher education.
- ✓ Development of domestic regulations, including qualification, certification & accreditation

Thank you for your attention !