

Key information concerning the Lao-China Railway needs to be released to the private sector if the project is to benefit the Lao economy, according to a White Paper released by the European Chamber of Commerce and Industry in Laos (ECCIL). According to the Chamber, this is the biggest development in the Lao economy right now and comprises a potential area of common enterprise between the private sector and the Government of Laos.

ECCIL strongly believes that in order to get the best out of the railway for Laos, private companies need to be in possession of certain factual information so that they can adjust their investment and business strategies accordingly in time for the opening of the railway.

Currently, there is almost no official information available about the railway that can be put to use by the private sector. For instance, there is no confirmation as to the location of stations where freight services will be provided, no draft timetable has been established, no estimated cost per kilometer/ton has been revealed and there is no indication as to whether there will be any upload or offload facilities or other infrastructure available at freight stations.

ECCIL fears that if this situation is allowed to continue, the private sector will not be in a position to avail of the freight services that the railway could provide by the time it opens. This would send a false message to the Railway company that there is little demand within the country for such freight services. A low level of demand would indicate to the suppliers of rail freight services that there is no point in supplying such services to Laos.

Given such a scenario, freight trains would certainly travel on the Lao China railway but only carrying goods to and from Thailand and countries further south to China. There would be no incentive to provide a significant service to key stations within Lao PDR.

This scenario can be easily remedied through the provision of the key information on the railway to the various chambers of commerce who will be only too happy to disseminate it to their membership and relay back any questions to the railway company or the Ministry.

The 2019 White Papers also contains a follow-up White Paper on the World Bank's Ease of Doing Business Index that uncovers the fact that the sudden drop in ranking this year was actually due to a revision by the World Bank's researchers rather than any major changes on the part of Lao PDR. Because of the various revisions and changes, ECCIL has produced a completely new paper. However, it still reflects the same strategic approach and is presented in the same accessible and clear way, including candid suggestions as to how the Ease of Doing Business Index ranking could be reduced to below 100 focusing mainly on short-term measures.

This emphasis on short-term measures, what ECCIL describes as "low hanging fruit," does not preclude longer term measures – in fact, ECCIL strongly recommends that the short term measures be implemented while the longer-term measures are being designed, crafted and ultimately implemented.

The Ease of Doing Business Index provides the private sector and the government with an extraordinary amount of common ground and opportunity for cooperation. Each business wants to reduce the amount of time and steps in its interactions with bureaucracy – for example, in the category of Paying Taxes or Trading Across Borders, all businesses want to be able to get through the necessary bureaucracy in the most efficient way, with the fewest steps and the least delays. The government, for its part wants to attract foreigner investors by showing how business orientated and responsive it is by improving these indicators.

Last year's White Book contained a White Paper on the Skills Gap in Lao PDR that detailed the skills shortage on one hand and the inability of many young Lao people to find jobs in their own country due to not having sufficient skills and education. A lot of progress has been made in this regard in the past few years by the government, development partners and businesses but a lot remains still to be done.

Introduced in the past few months by the World Bank, the HCI report for Laos shows that the economy still has a long way to go with respect to the quality of primary education that is the key to performance at secondary and technical levels.

The HCI report is an attempt to measure changes in human capital in 157 countries

throughout the world. The index is forward looking - instead of trying to measure human capital in the existing working population, the compilers decided to measure how investment in health and education in an economy now will contribute to the productivity of the next generation of workers.

The primary intention of the HCI is to draw the attention of policy-makers to the importance of investment in health and education for the future development of the economy. However, ECCIL recognises that this index may also be taken up by potential foreign investors when deciding where to locate their projects, in much the same way as the Ease of Doing Business Index has been, especially in relation to the education results in the index.

In keeping with the theme of attracting quality foreign investment, ECCIL is also happy to introduce another short paper on a topic of great relevance to potential foreign investors. One major concern of foreign investors when entering any new economy is whether there is a legal framework whereby disputes between enterprises and individuals can be resolved fairly, cheaply and quickly. The revised Law on Economic Dispute Resolution attempts to do this.

ECCIL greatly welcomes this law as it provides enterprises with a way of resolving disputes, whether by mediation or arbitration, without having to resort to lengthy and expensive court proceedings. The existence of a robust mediation and arbitration system in the economy would be seen as a distinct advantage by foreign investors.

However, ECCIL has a number of concerns with the revised law as currently written; for instance, ECCIL is concerned that by allowing disputants to resort to the courts at any stage while engaging in arbitration, this will reduce the advantage of arbitration to disputants as they might as well avoid “unnecessary delay” and go straight to court. This could devalue the process of arbitration as a form of economic dispute resolution.

On a final note, ECCIL is more than happy to provide constructive feedback to the Government of Laos and other stakeholders on any topic and works hard in order to provide timely information to workshops and other events to which ECCIL staff are invited. But often the original material that ECCIL has to work with is extremely out of

date or was received only within hours of or actually at the workshop itself.

For instance, ECCIL only gains access to new draft laws as they are made available on the Lao Official Gazette for comments for the mandatory period of two months. But while the old draft is available, the new version has often already been generated but does not appear on the Gazette. Time and again, ECCIL staff find themselves at workshops unable to provide adequate feedback because they have only shortly before the event received the copy of the up-to-date draft complex law which often differs very markedly from the draft they worked on from the Gazette.

For ECCIL to be able to contribute more to enhancing the sort of institutions that lead to greater economic development and attracting quality foreign investment, it would help if a way could be found to allow ECCIL access to up-to-date versions of draft laws and documentation in due time.

Last but not least, the White Papers will also include a topic that seldom gets coverage in Lao PDR, namely the Banking and Financial Sector. With special thanks to Rufus Pinto, CEO of ANZ Bank, this unique White Paper provides a thorough-going analysis of the risks facing the financial sector in Lao PDR along with suggested responses to these risks outlined.