

**THESIS**

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**TITLE**

THE STATE OF LAOS-UNITED STATE ECONOMIC RELATIONS AND  
TRADE COOPERATION  
AFTER ESTABLISHING BILATERAL DIPLOMATIC RELATION

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## Contents

List of Table .....	ii
List of Figures .....	ii
List of Abbreviations .....	iii
Abstract .....	iv
Acknowledgement .....	v
CHAPTER I. INTRODUCTION .....	1
1.1 Background .....	1
1.2 Significance of the Study .....	11
1.3 Objectives of study .....	12
1.4 Research questions .....	12
CHAPTER II. NITERATURE REVIEW .....	13
2.1 Understanding the definitions of Bilateral Diplomatic, Economic and Trade cooperation....	13
2.2 An Overview of International Aid to Laos .....	16
2.3 US Economic relation towards international and Laos.....	18
2.4 Other Article research on Laos-US economic and trade cooperation.....	31
CHAPTER III. METHODOLOGIES .....	35
3.1 Data collection .....	36
3.2 Data Analysis .....	37
CHAPTER IV. ANALYSIS AND DISCUSSION .....	38
4.1 Overall state of Laos-United Sates' economic relations and trade cooperation .....	39
4.2 Trade cooperation reduces the poverty and support the growth of a country.....	46
4.3 Laos benefit from trade relationship with the US .....	49

4.4 The United States' economic and trade policy toward Laos .....	56
CHAPTER V. CONCLUSION.....	58
References.....	61

### **List of Table**

Table1: The United States’ History of Recognition, Diplomatic, and Consular Relations .....	22
Table: 2 The United States–Laos Trade and Investment Framework Agreement.....	40

### **List of Figures**

Figure1: Pillars of the Lao National Socio-Economic Development Plan 2021-2025.....	10
Figure 2: US export to Laos in 2020.....	46
Figure 3: US export to Laos in 2020(Agriculture Product) .....	47
Figure 4: US imports from Laos in 2020 .....	48
Figure 5: US imports from Laos in 2020(Agriculture Product) .....	48
Figure 6: Laos benefit from trade relationship with the US .....	51

## **List of Abbreviations**

LPDR	=	Lao People's Democratic Republic
ASEAN	=	The Association of Southeast Asian Nations
GDP	=	Gross Domestic Product
UXO	=	Unexploded Ordnance
BTA	=	Bilateral Trade Agreement
LDCs	=	Least Developed Countries
FDI	=	Foreign Direct Investment
BD	=	Bilateral diplomacy
NSAs	=	Non-governmental organization
WTO	=	World Trade Organization
AEC	=	ASEAN Economic Community
IMF	=	International Monetary Fund
MRC	=	Mekong Commission
TIFA	=	Trade and Investment Framework Agreement
GPA	=	Government Procurement Agreement
EDL	=	Electricite du Laos
GMS	=	Greater Mekong Subregion
YSEALI	=	The Young Southeast Asian Leaders Initiative
LMI	=	Lower Mekong Initiative

## Abstract

The United States established diplomatic relations with Laos in 1955, expanding cooperation in areas such as health, education, environmental protection, law, drug prevention, law, child nutrition, humanitarian aid, trade liberalization, English language training, and other related training. The purpose of this study is to focusing on how general state of Laos-US economic relations and trade cooperation from the past to the present, and to examine overall benefits of Laos gain it from having an engagement on economic relations and trade cooperation since the last decade period, and as well as observing the United States' policies on economic cooperation toward Laos. Study uses data collection from the sources likes textbooks, encyclopedias, news articles, web pages, internet browsers, and review articles. The study finds that 1.) Overall state of Laos-United Sates' economic relations and trade cooperation, both sides agreed on Import policies, Technical Barriers to Trade, Government Procurement Protection, Intellectual Property Protection, Services Barries, Investment Barries, Barries to digital trade and electronic commerce and Other Barries. 2.) Trade cooperation reduces the poverty and support the growth of a country, Laos' GDP is projected to reach US \$ 18.7 billion by 2020, the real GDP increased by about 0.2 percent; and the population is estimated at 7 million. 3.) Laos benefit from trade relationship with the US includes The United States is helping Laos clear unexploded ordnance (UXO). 4.) The United States' economic and trade policy toward Laos, the United States encourages Lao PDR to make every effort to comply with its notification obligations, in order to provide transparency for Members and traders, and to formalize mechanisms to facilitate stakeholder consultations, increasing transparency, establish formal mechanisms to facilitate stakeholder consultations, and to assist in enhancing WTO obligations and compliance. Laos has successfully developed friendly relations with countries in the region, becoming a member of many international organizations, in particular, ASEAN membership is essential for Laos in terms of regional economic progress.

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# CHAPTER I

## INTRODUCTION

### 1.1 Background

Laos or People's Democratic Republic is one small and the country without sea in Southeast-Asia, a population in 2021 is approximately 7.2 million people with an area size of 236,800 square kilometers (km<sup>2</sup>) ([The World Bank, 2020](#)). Lao PDR is a single party in Asia countries and has been dominated for more than four decades by the Lao People's Revolutionary Party (LPRP).

In the 1950s, Americans had very limited contact with the people who lived in Laos today. But relations became more normal after Laos gained independence from the French Empire. The Kingdom of Laos has been recognized by the United States on February 7, 1950, when the United States Department of State announced the results. Prior to this, Laos had been a French protectorate and became an independent state of the French Union in 1949. ([United States Department of Sates, 2016](#))

The United States and Laos (LPDR) as a small communist country in Southeast Asia, ruled by communist governments in many areas, although the United States differs politically, there are still concerns about the Hmong people in Laos. The heat of relations between the two countries underscores the efforts of the US government to focus on Southeast Asia in general and by the Lao government in expanding foreign relations while China is gaining strong fluence in the region.

The US government has pursued a policy of economic cooperation with Laos, and expanded aid To Laos to build capacity for trade cooperation, update regulatory framework. "This is probably the most important step the US government can take now to influence its future policy direction."

In June 2009, the Obama administration lifted a ban on US Export-Import Banking for US companies seeking to do business in Laos, citing its intention to open up the market. ([Obama Okays U.S. Exim Bank Loans for Cambodia, Laos, 2009](#))

Laos PDR is one of the five remaining 'communist' countries in the world (combined with China, North Korea, Vietnam and Cuba). Afterward the civil war over in 1975, the communist government overcame the monarchy and have been ruled since. Lao People's Democratic

Republic became official name. The red communist flag with hammer and sickle can generally be seen flying on official authority buildings in Laos ([Joseph J. Zasloff,2021](#))

Laos is a one-party socialist republic, the legal party is the Laos People's Revolutionary Party (LPRP). The policy is regulated by government through all nine members of the Politburo, and 49 Powerful members of the Central Committee. Crucial government choices are reviewed by the Council of Ministers. The first version of Laos' constitution written in French and its democracy was promulgated on May 11, 1947 and proclaimed self-government within the French Union. The reviewed constitution on 11 May 1957 overlooked references to the French Union, although educational, health, and technical relations with the former colonies remained.

After one year, formal elections were held for a new National Assembly with 85 seats, and members were elected by popular vote and had a five-year term. This National Assembly, which is basically entitled to stamp by the Lao People's Revolutionary Party, which issues the laws and regulations. In all cases, the Executive Committee retains the authority to formally adopt all of the official compulsory decrees. The most current elections took point in April 2006. The national assembly was created to 99 members in 1997 and in 2006 elections, there are 115. ([ASEAN-China Centre, 2010](#))

Laos is ranked in one of poor nations in Southeast-Asia, with GDP of 2,100 \$ and a human development index of 133, according to the UN of Development Program. However, the country's economic prospects are improving. After a relatively short period of consolidation, the Lao economic is knowledgeable a period of rapid growth in 1985. The Lao PDR government initiated a strategic economic reform strategy in 1986, abolishing community agriculture, establishing private property ownership, freeing markets to price decisions, and promoting private business practices in all industries and excluding certain sectors. Except for a short period of crisis of Asian finance between 1997-1998, the country's economy has grown at a slower pace. An average of more than 6% per year from 1988 to 2008. In the same year began the implementation of the market economy strategy. ([Jayant, 2013, p. 1](#))

The nation's economy has grown steadily in recent years, mainly due to construction, food processing, hydropower, tourism. When the collapsed of economy due to the Asian financial crisis.

The level of economic has grown at an annual rate of more than 7%. (B. Murray, 2006, p. 6). The agro-based economy has been developing steadily and has abundant the resources of nature, especially hydro-power, metals, timber and wealth, concentrated in Vientiane. China, Thailand and Vietnam are Laos' number one export markets and attract the majority of foreign investment. The country's work force is employed in agriculture with over 80 percent, mostly subsistence rice cultivation, which contributes for around 39.1% of GDP. It is light manufacturing that is supplying an increasing amount of the economy, accountancy for around 34.1% of GDP (garments and electronic assembly). A total of 27 percent is accounted for by the provision of goods and services. Metal extraction, hydropower, wood, rubber, and tourism are some of the other significant economic sectors. Despite a slowdown from the previous year's 7.5 percent growth rate, the Lao economy increased by an projected 4.5 percent in 2009 and is anticipated to rise by 7 percent in 2010. (USA I. B., 2015, p. 121)

Laos is beginning to integrate economically with its nationals. Thailand (35 percent), Vietnam (15 percent), and China are the Laos 's primary commercial partners (8.5 percent). Thailand is the most important spreads for Lao products, importing \$626 million in 2008, followed by Vietnam with \$216 million and China with \$140 million in imports in 2008 It is also a significant regional commercial partner, as well as a significant market for Laotian exports. Though it is still strongly reliant on foreign commerce, Laos has managed to remain relatively unscathed by the global economic slowdown in recent months. The Lao PDR's main foreign investors are from Vietnam, China, Thailand, and South Korea. The mining industry has seen significant investment from Chinese and Vietnamese firms. Other hand, Thai corporations have played a significant character in the development of hydropower. Chinese officials have apparently started to challenge Australia as the world's leading investor in resource exploration. (USA I. B., 2015, p. 122)

Due to the collapse of the Soviet Union and the decline of Vietnamese aid, Laos sought to improve relations with its neighbors and the region to get out of poverty and to achieve its isolation and expand relations with countries such as Pakistan, France, Japan, Sweden, Saudi Arabia, China, Turkey, and Australia. Trade relations with the United States were normalized in 2004. It joined

ASEAN in July 1997 and joined the World Trade Organization in 1998. In 2005 it joined the first East Asia Summit. ([Diplomatic Relations, 2021](#)).

Officially known as the Lao People's Democratic Republic, after the occupation of Laos in December 1975, it was hostile to the West, With the Government of the Lao People's Democratic Republic established a special relationship with the Soviet Union, preserving close ties with the Soviet Union in providing most of its assistance. Laos also reserved a "special relationship" with Vietnam and celebrated a 1977 contract of relationship and collaboration that established conflicts with China.

In addition, Laos plays a significant role on diplomatic relations with Unites States, Communist countries and neighbouring countries in regional and the world. A special collaboration on diplomatic relations with those communist countries and shared border countries in the world and regional is shown as below:

Country	Formal Relations Began	Status
United States	<p>Lao-US relations were formalized in 1950, when Laos was a semi-autonomous state in French Indochina. After Laos gained independence in 1954, this relationship was maintained and strengthened.</p> <p>Laos sent out the goods to the United States continued to grow, despite a relatively modest trade volume. Bilateral trade reached 15.7 million US dollars in 2006, compared with 8.9 million US dollars in 2003. The Lao government has set out a plan to implement the BTA and join the World Trade Organization on February 2, 2013.</p>	Diplomatic relations

Cambodia	<ul style="list-style-type: none"> <li>• Cambodia has an embassy in Capital city of Laos, Vientiane and a consulate-general in Pakse, the southern region</li> <li>• Laos has an embassy in Phnom Penh, a capital city and a consulate-general in Stung Treng City.</li> </ul>	Neighboring countries
Myanmar	<ul style="list-style-type: none"> <li>• Laos has an embassy in Yangon, a capital city</li> <li>• Myanmar has an embassy in Vientiane, a capital city of Laos</li> </ul>	Neighboring countries
Thailand	<p>Thai-Lao relations were tense somewhat in 2006 ahead of the announcement of the sports comedy Lucky Loser, which Lao diplomats warned might offend Lao people and spark disturbances similar to the 2003 Phnom Penh riots. The film's announcement was cancelled.</p> <p>Thailand is Laos' principal means of access to the sea and its most important trading partner.</p> <p>In spite of strong economic and cultural ties with Thailand, parts of the border shared by the two countries are indeterminate. Within a year of serious border conflicts in 1987, both leaders of Thai and Lao have signed a declaration, signaling their intention to resolve relations. Since then, there have been slow</p>	

	<p>but steady progress, especially in the construction and opening of the friendship bridge between the two countries.</p> <ul style="list-style-type: none"> <li>• Laos has an embassy in Bangkok and a consulate-general in Khon Kaen.</li> <li>• Thailand has an embassy in Vientiane and a consulate-general in <u>Savannakhet</u>.</li> </ul>	Neighbouring countries
Vietnam	<p>Vietnam's historic noted of Laos' leadership in the civil war and military ties will not end, Laos has moved ahead with Vietnam with a new economic to announce marketing apparatuses to its economy. In that way, Laos unlocked the its economic door to cooperation with Thailand and China, especially the dependence on Vietnam. Laos may reach a normal point in Vietnam's diplomatic and economic revolution, but through action resolving the stance of Thailand and China, Laos has opened up to donors and trade partners, and independent investors from Vietnam who are striving for the same one goal.</p> <p>Therefore, Vietnam remnants in the glooms as a consultant and an emergency ally, and Laos assistance has been transformed into a development bank and an international businessman.</p>	Communist country, and neighboring countries

Source: [https://en.wikipedia.org/wiki/Foreign\\_relations\\_of\\_Laos#Diplomatic\\_relations](https://en.wikipedia.org/wiki/Foreign_relations_of_Laos#Diplomatic_relations)

Although Lao PDR will be an official communist state, in the last two decades, the new government has sought to unlock the economy, trade and international investors. However, historically, the United States did not offer a durable economic and diplomatic association with Laos. In fact, US-Lao relations are shrouded in the inheritance of the Vietnam War. The Ho Chi Minh Trail (1959-75), regularly through Laos, provided ammunition for Vietnamese fighters and was a target for US bombers. However, in the past five years, relations between the two countries have improved. As efforts continue to repair the legacy of the war, in 2016 the Obama administration has announced a three-year, \$90 million plan for eliminating UXO. That same year, US President Barack Obama became the first US president visiting this country, it has entered the peak of comprehensive partnership between the United States - Lao PDR. The agreement marks a new milestone in bilateral relations, aiming to address areas where both sides are interested in and support the joint movement of the United States to Southeast Asia. Areas of Cooperation the scope of US-Lao PDR comprehensive cooperation includes relations Economy, US Aid. The two countries have established trade and investment frameworks. In addition, US-Lao relations have become increasingly strained cooperation in the Mekong region by 2020, which provides funding for development projects in Laos and neighboring countries. Currently, the United States is the fifth largest exporter of Laos, and the United States Agency for International Development keeps a number of projects within country. Recently, the government of Lao PDR has planned the 9th National Economic and Social Development Plan (2021-25), aiming to integrate better access to global markets, improve people's livelihoods, and address environmental challenges Surrounding, management and connection. In expressing its development policy to get out of the underdeveloped status (LDC) by 2026 and endure Given the economic and environmental impact, it is expected to lose some market access, but it could also bring economic benefits, access to credit and increased foreign investment.

More importantly, it has become a beacon of development that indicates the success of the outside world. The Lao government is now eager to work towards this goal. Although Laos has been able to make strides in reducing poverty, it is still a country that the region is rich in natural resources. Like many developing countries, Kovid-19 has had a profound impact on the Lao economy and society, its socio-economic progress. The country has faced economic challenges such as a sharp decline in foreign exchange reserves, significant external debt and a current account deficit that has led to a sharp rise in poverty and food uncertainty. Economic growth is expected to slow to 0.4 percent in 2020, while unemployment will rise to 25 percent, up from 16 percent at the end of 2018. Areas such as tourism, services, restaurants, hotels and transportation are struggling to recover due to the outbreak of covid-19, there have been several blockades. Covid-19, meanwhile, has highlighted several weaknesses in his health system: a lack of trained personnel, facilities and modern medical equipment. In countryside areas, clinics usually assist hundreds of thousands of people but only a few dozen beds (ICUs). While Laos has carried out an effective vaccination campaign for the people, it is still dependent on Vaccines that are completely donated, are in short supply. Given these circumstances, and to recognize the 5th anniversary of the establishment of comprehensive partnership between the two countries US-Lao PDR. The United States provides assistance and encouragement to Laos to re-establish international relations by establishing economic partnerships in line with US foreign policy goals in the region.

The United States has established an embassy in Vientiane since 1992. USAID has played a key role in building a strong partnership with Laos by promoting sustainable development through economic, governance, and health programs. USAID can go along with that effort by focusing on policy priorities and improving some areas to boost US-Laos relations over the years next. During this trip, the United States will not only work with the Lao government, civil society, and other development partners, but also provide funding for entrepreneurs of all levels and technological innovations to Laos.



Figure 1: Columns of the Lao National Socio Economic Development Strategy 2021-2025

*Objective: “To fully focus on socio-economic development based on the existing potentials in order to help the country effectively achieve the LDC’s criteria through quality, inclusive and green growth and achieve the SDGs by 2030.”*

<p><b>ECONOMY</b></p> <ul style="list-style-type: none"> <li>▪ Diversify the economy</li> <li>▪ Ensure macroeconomic stability</li> <li>▪ Identify and grow potential sectors</li> <li>▪ Improve the business environment</li> <li>▪ Expand access to credit and finance</li> <li>▪ Develop regions based on their potential</li> </ul>	<p><b>HUMAN CAPITAL</b></p> <ul style="list-style-type: none"> <li>▪ Increase educational opportunities and improve the quality of education</li> <li>▪ Improve and manage the labor market</li> <li>▪ Make labor more efficient</li> <li>▪ Harmonize market demand with research and development</li> </ul>
<p><b>WELL-BEING</b></p> <ul style="list-style-type: none"> <li>▪ Reduce poverty through rural development</li> <li>▪ Increase the standard of living</li> <li>▪ Improve labor and social welfare</li> <li>▪ Clear UXO</li> <li>▪ Promote equality</li> </ul>	<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>▪ Manage and use natural resources sustainably</li> <li>▪ Improve forest management</li> <li>▪ Promote development and growth in accordance with the National Green Growth Strategy</li> <li>▪ Ensure disaster and climate-change preparedness</li> <li>▪ Conduct environmental and social impact assessments</li> <li>▪ Create a clean environment in urban and rural areas</li> </ul>
<p><b>INTEGRATION AND CONNECTIVITY</b></p> <ul style="list-style-type: none"> <li>▪ Increase bilateral, multilateral, and other cooperation</li> <li>▪ Engage with international organizations such as the ASEAN Economic Community, the Greater Mekong Subregion, and the WTO</li> <li>▪ Integrate internet and banking systems</li> <li>▪ Expand domestic and regional transportation networks such as the Laos-China railway</li> <li>▪ Build out logistical, digital, and telecommunications infrastructure</li> </ul>	<p><b>GOVERNANCE</b></p> <ul style="list-style-type: none"> <li>▪ Improve coordination mechanisms at all levels</li> <li>▪ Streamline the government structure and number of officials</li> <li>▪ Create consistent and oriented laws and regulations</li> <li>▪ Implement the “Three Builds” decentralization process</li> <li>▪ Ensure political and social stability</li> <li>▪ Promote community participation in development projects</li> <li>▪ Undertake spatial and urban planning</li> </ul>

Source: Phonevanh Outhavong “the original concept of the 9<sup>th</sup> NSEDP 2021-2025” department of planning and investment,

[http://rtm.org.la/wp-content/uploads/2019/11/2019-RTIM-Pre-Consultation-on-NSEDP-and-States-Budget-Plan\\_initial-Concept-of-the-9thNSEDP\\_English.pdf](http://rtm.org.la/wp-content/uploads/2019/11/2019-RTIM-Pre-Consultation-on-NSEDP-and-States-Budget-Plan_initial-Concept-of-the-9thNSEDP_English.pdf).

## **Opportunities for U.S.-Lao Cooperation**

Prior to the signing of the United States-Lao PDR Comprehensive Partnership, the United States provided more than \$ 3 million in assistance to Laos each year. Since 2016, this assistance has increased significantly. The budget has increased from \$ 6 million in 2016 to more than \$ 30 million in 2020, plus additional funding to address the effects of the Covid-19 impact. The program focuses on economic development, health, innovative education, and social services. Communism and governance. USAID estimates its budget for 2021 and 2022 will increase and exceed \$ 30 million annually. In this context, there are many areas that are conducive to cooperation or occasion. For example, in the next 12 months, the United States can provide medical assistance to the Lao government in the field of immunization campaigns. This not only includes the Covid-19 vaccine, but also provides vaccines for other diseases that have been neglected due to the spread of such diseases, such as measles and tuberculosis. USAID continues to invest in potential health systems, nutrition improvements, and expanding access to diarrhea, vitamin A supplementation, and worm treatments to children under 5 years of age. Other US efforts related to Covid-19 have helped put the health system in Laos in the right direction, but also need to strengthen existing efforts to address the medical gap in Laos.

At the same time, Laos' overall economic situation remains strong. Economic recovery after the Covid-19 outbreak has opened up opportunities for investment in sectors that can modernize the economy and create quality jobs. This is very important because Laos is still a very young country in many ways: 60 percent of the population is under 25 years old. In order to achieve the budget for population development, we should focus on improving education and the economy, such as digital connectivity, transportation, small and medium enterprises (SMEs), renewable energy, modern agriculture to be able to create jobs and diversify the Lao economy. However, the Lao business environment has not been able to attract FDI compared to neighboring countries currently received. Long before the outbreak of Covid-19, Laos faced structural challenges in its management and business conditions. Challenges to governing a country or political system, such as ineffective policy systems, increased corruption, and a lack of transparency or serious scrutiny, have hampered the development path to greater success. Laos still ranks very low on global indexes

such as the World Bank Ease of Doing Business Index and the Global Economic Competitiveness Index, governments need to streamline regulations and improve the business environment. Trade is see-through and expectable, raising the level of competition, cheering participation, growth of competition. USAID has a strong commitment to provide technical assistance, especially to countries in the region.

Therefore, the third area of local cooperation in the medium period can focus on establishment private sector to be strong. The United States has the best chance of a decade to restore economic ties with Laos. Although the countries share a complicated history, but the relationship in the past decade in particular it is a comprehensive partnership agreement that President Obama has proposed in many areas of cooperation to promote sustainable, inclusive development in the region. These include the economic sectors that the United States has compared, such as enhanced cooperation and the business environment and overall governance practices.

The goal of the Lao government is to reduce the number of people from LDCs, along with the outbreak of IQ-19, to create new opportunities to strengthen such cooperation. US-Laos economic and diplomatic cooperation could also help curb Chinese influence in Southeast Asia. China's blockade initiative in Laos has benefited mainly from China and has affected the Lao people. This delivers an opportunity to the United States to encourage a path of workable and inclusive development. Building on US-Laos Ties, Raising Confidence, Washington must have relations with allies working in the country, including Japan and Australia Taliban, as well as the ADB in the region. Cooperation with neighboring Thailand, Vietnam and Cambodia is not only due to trade with Laos. If only because they have cultural ties and expertise in the fields that the country hopes to develop. In that, regional projects in the areas of telecommunications, transportation and information technology - can integrate the economy. Strengthen and integrate into global markets.

## **1.2 Significant of the Study**

This thesis is very useful and benefit for a Lao student who is taking a major in international relation program in particular me, because it makes me to recognize and understand clearly how the state of Laos-United State economic relations and trade cooperation after establishing bilateral

diplomatic relation is, the result of finding is also provided full information of bilateral economic cooperation's establishment of both countries Laos and United States that are now playing a strengthen on economic cooperation through various positively consistent factors in many years ago and recent. Besides that, this thesis may be beneficial for interested researchers, teachers or students who are taking a major in international relations.

### **1.3 Objectives of study**

This study is focusing on the extensive research questions of Laos and United States economic relationship and trade cooperation after establishment of bilateral diplomatic relations, as well as stage of US influence and those obstacles in particular in trade and cooperation policies toward Laos. Since the Asia Pacific region has become increasingly important as the result of its economic growth, Laos has become an important role in the Southeast -Asia stage, evolving from a land locked to be a land link country in the area of region.

Thus, the objectives of this study is to spot on how general state of Laos-US economic relations and trade cooperation from the past to the present, and to examine overall benefits of Laos gain it from having an engagement on economic relations and trade cooperation since the last decade period, and as well as observing the United States' policies on economic cooperation toward Laos.

### **1.4 Questions of Research**

The thesis will also include the subsequent sub-questions in order to address the primary question:

1. How is the overall state of Laos-United States on economic relations and trade cooperation?
2. What are the overall benefits of Laos gaining it from having engagement on economic relations and trade cooperation?
3. How does trade reduce poverty and support the growth of a country? and
4. What does United States' economic relations and trade cooperation toward Laos?

## **CHAPTER II**

### **LITERATURE REVIEW**

Global economic cooperation is now one of the most important challenges will overcome, solve cooperation. However, the sufficient way to translate theoretical concepts into radical initiatives remains unclear. In general, economic cooperation is a concept that is used continuously and is the same as entrepreneurial, industrial, financial or manufacturing cooperation. Neither is the literature on existing stories. This is further complicated by the fact that almost all donor countries define different meanings to the concepts in their policy documents. (Enrique O'Farrill, 1999). However, in overall view we can say that economic cooperation is an integral part of international cooperation seeking the necessary conditions to facilitate economic and trade integration; Finance in the international arena by following the rules of action for the sustainable and long-term economic benefits.

#### **2.1 Understanding the related definitions of study**

##### **Bilateral Diplomatic**

Diplomacy refers to official speeches or writings made by legislatures of the state who aim at influencing events in the international system. (Trager, Robert F, 2016). Diplomacy is a key tool in global foreign procedure and authority, representing the goals, objectives, and comprehensive strategy that guides state relations with countries around the world. International conventions, agreements, alliances, and other expressions of international relations in a normal manner are the result of joint dialogue and diplomatic processes. Diplomats will help build the image of the state and represent the state by provided that advice to government (Ronald Peter Barston, 2016). Greatest diplomacy is carried out by authorized officials, such as special envoys and ambassadors, through a dedicated foreign affairs office. Diplomatic staff move through diplomatic activities, generally consulates and embassies, and trust on assistant staff. Therefore, diplomacy is sometimes widely used with diplomats and consuls and officials at the Ministry of Foreign Affairs. (The Diplomats, 2014)

Bilateral Diplomacy: is a multi-faceted effort that covers the concepts and functional aspects of foreign relations and is a reference book for the sincerity of diplomats, students and media analysts, and most importantly, the student body of international relations.( [Kishan S. Rana, 2002](#) ). Bilateral diplomacy (BD) is an important building block of international relations, covering relations between home countries and foreign countries. Continuously, it is the governing principle of foreign relations. Cooperation is based on consensus and within the scope of international law. It differs from multilateral diplomacy, including regional variables, in the partners involved, but not the internal techniques. It is a main work of the Ministry of Foreign Affairs, embassies, consulates. ([Diplo, 2002](#))

Bilateral diplomacy works with foreign countries on a variety of topics to aim at increasing its domestic and international targets. Recognizing the differences and taking immediate action to minimize possible problems is key. Security is a top concern of every state, and it is fundamental to foreign policy. The effectiveness of the two countries' bilateral diplomatic relations is constantly enhanced by the participation in regional and multilateral cooperation, emphasizing the overall nature of modern diplomacy. Non-governmental organizations (NSAs) and interest alliances, which promote and operate diplomatic relations, are two additional features that play a role in expanding diplomatic relations. Regional and multilateral participation to strengthen bilateral diplomacy by enhancing bilateral capabilities to meet regional and international opportunities and challenges

### **Economic**

The economy is a major unit in the production, consumption, and exchange activities associated with producer activities that determine how to allocate available resources to meet the needs of the people who live and do business. These things can be called economic systems.( [Wall Street Journal, 2009](#)) These are:

- The main sector refuges raw materials from agriculture, fishing, mining, and so on.
- Secondary aspects that cover the production of goods.

- High-level competencies that cover many aspects of facilities on condition that to the public and company.

Sometimes, the term economy is used to refer to the part related to goods and services, the financial part of the economy is the process of buying and selling in the financial markets. ([Bank regulation should serve real economy, Wall Street Journal, 2011](#)). In terms of economic cooperation, if international cooperation is an important part of the state's foreign policy of the government to act, to understand the changes taking place in cooperation. We need to take into account the new situation where intergovernmental relations are emerging. Therefore, the emergence of new ideas is linked to collaboration such so-called "economic cooperation" is linked to changes in the global context, especially the current process of globalization and integration are going on. In terms of economic cooperation: If international cooperation is an important part of the policy of foreign affairs, the governments have been working diligently to understand the changes that are taking place. We must take into account the context in which relations between states are underway. Thus, the emergence of new concepts related to cooperation, such as the so-called "cooperation on economic", which it is related to the variations of taking place in the global condition and, in particular, to the current process of globalization and integration.

In summary, we can say that cooperation on economic is an integral part of state of international cooperation that try to find the facilitation the process of trade and financial in the global arena by realizing all of the actions aimed at achieving indirect, medium and long-term economic benefits.

### **Trade**

Trade refers to the process of moving goods from one point to another or from one person or entity to another in exchange for an agreed amount of money. Economists define it as a system or network of commodities authorized by the government. Trade is an economic concept that deals with the trading of goods and services for the convenience of customers, with the payment of compensation from the buyer to the seller, or the exchange of goods or services between the two sides. Trade can take place within an economic system between buyers and sellers or producers and consumers. International trade allows countries under the rules of the World Trade Organization or

international trade agreements to expand their markets for goods and services. (David Ricardo, 2001).

From a modern point of view, it can be said that trade arises from the distinct division of individual and group economic activities into a focus on small-scale production but using products in the trading system for services and other needs. Trade between different regions may benefit from comparisons in the production of a number of commodities, including the natural resources available in production may be scarce or limited. For example, different regional sizes or quantities of raw materials may encourage the production of different quantities. In such a situation, the market price trading between places is different and can benefit both places in different ways. (Dollar, D; Kraay, A 2004).

In the view of the conclusion, trade cooperation can be said in the form of a contract trade, it's customs, duties and trade conventions often include guarantees investment. It is available when two or more countries agree on the terms of assistance trade is booming. A general trade agreement is a free trade priority that seeks to reduce (or reject) tariffs, quota amounts, and other trade restrictions on transactions between signatories. The rationale for a trade agreement is to explain what is agreed upon and what the penalties are for violating the rules set out in that agreement or by mutual agreement. The trade agreement is to reduce misunderstandings and ensure that both parties are free from fraud or exploitation. Violations of the rules may increase the likelihood of long-term or sustainable cooperation. (Grossman, Gene M. ,2016).

## **2.2 An Overview of International Aid to Laos**

International aid is an important factor and a major source of external funding for Lao PDR's development, as it contributes to the economic and social development of the least developed countries (LDCs) in Asia. Laos has been receiving official aid since the 1950s, and international aid at that time was a French colony and military aid from the United States to defeat the Communists. In 1955, the United States was the largest donor to Laos in infrastructure, amounting to US \$ 770 million, or about 83.5% of the total foreign aid. The per capita assistance to Laos is



higher than any other country in Southeast Asia. After the end of the war in French Indochina, the United States tried to fight the Communists for Laos under communist rule.

The United States worries that if it falls under communism, it is possible that South Vietnam, Thailand and Myanmar will become communist countries as well. To avoid this, US aid is used in the form of a "secret war", rather than improving the lives of the Lao people, leading to a war between Laos and communism. After the end of the war and the proclamation of the Lao People's Democratic Republic in 1975, the Soviet Union and Vietnam began providing assistance to Laos, replacing the United States as the main donor to the Soviet Union. The Soviet Union contributed half of its foreign aid to Laos between 1975-1985, however, and in 1981-1985 the Organization for Economic Co-operation and Development (OECD) in the mid-1980s reported that the Soviet Union had sent more than 1,500 military experts to the military. During this period, international organizations provided \$ 1.16 billion in financial assistance to Laos. The Soviet Union has implemented more than 50 aid projects and provided basic vocational training to more than 100 Lao students and academic staff. ([Martin Stuart-Fox \(2008\)](#)).

During 1977, Laos and Vietnam signed a special treaty on the Lao-Vietnam Friendship and Cooperation Agreement, which allowed the Lao government to allow Vietnamese troops to stay in the Lao PDR to assist in suppressing the opposition. Lao party members and academic staff have been assisted in ideological training in Vietnam, and Vietnam is also supporting the Lao Economic Program. Prior to the 1990s, he received nearly US \$ 60 million in assistance from the OECD and the United Nations Development Program.

Before and after 1992, international assistance from the OECD-DAC was about 90%, but by the end of 1992 the proportion of such aid was reduced by about 60-65%. Lao donors include Japan, Australia, South Korea and Germany. Japan became Laos' largest donor between 1986-2002, accounting for more than 40% of all international aid, followed by Sweden, Australia with 11%, Germany with 6% and France with 8%. After the end of the Cold War, US aid to Laos fell sharply, or only 3%, during 1986. Soviet aid to Laos ended with the breakup of the Soviet Union in 1991. International aid to Laos in 2003 amounted to \$ 395 million and \$ 500 million in 2008. In general, due to the rapid development of the Lao economy, the proportion of international aid decreased

from 16% in 2002 to 4% in 2013. As a result, Laos has become increasingly dependent on international aid, and international NGOs have been active in Laos since 2009 with more than 160 foreign workers. In 1975, NGOs provided about US \$ 35 million a year to Laos, with the goal of promoting education, health, environmental protection, community and rural development, disaster relief, and UXO clearance in remote communities. In general, the overview of international aid to Laos shows two distinctive features: First, the great powers played a leading role in providing aid to Laos, such as the United States in the 1970s, the Soviet Union in the 1980s, and Japan after the 1990s. Their tenure reflects the relentless stance of the small country and its strategic and political position. Second, assistance channels are increasingly diversified, as evidenced by the increasing volume of assistance from international organizations, NGOs and multilateral organizations.

### **2.3 US Economic relation towards international and Laos**

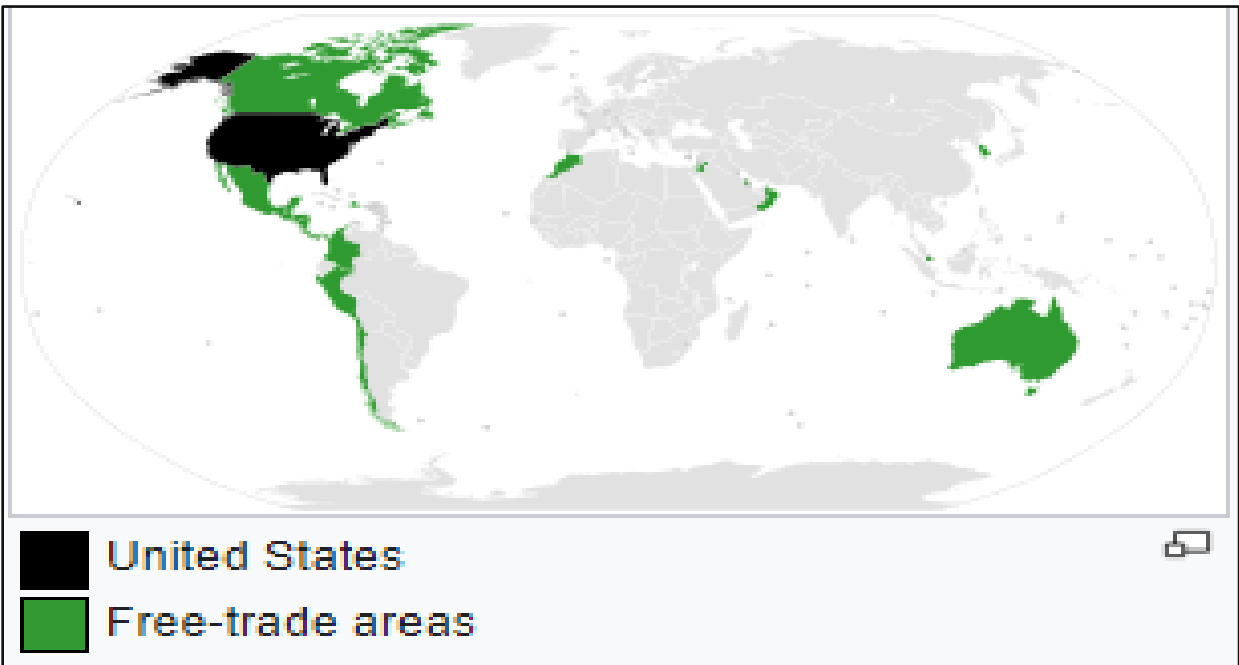
The United States is the biggest powerful economic, The United States attaches great importance to trade relations with many countries. Trade with Europe and Asia is a top priority. Therefore, in order to meet the demands of the industrial-economic sector, the United States needs to import large amounts of oil and minerals. The United States exports machinery, cotton, toys, petroleum, lubricants, steel, tea, sugar, coffee, and many other goods to trading partners.

US trade policy is widely promoted around the world, especially in the industrial sector. As the most developed country, the United States imports raw materials and exports Finished countries around the world. Due to the importance of the economy and industry, as well as the need for influence in many areas, the United States has placed in the policy of toxic trade in Europe and Asia as a world business leader (Akhtar, Shayerah Ilias, 2018). International trade has also influenced the U.S. presidential election since the revelations of voters on trade influence who won the U.S. presidency, according to U.S. survey data that covers almost all U.S. economic activity. Moreover, workers in the high-wage, affordable goods and services sector tend to support the president and their party, while those in low-wage manufacturing jobs tend to support the

opposition. (Jensen, J. Bradford; Quinn, Dennis; Weymouth, Stephen, 2016). In 1920s, economic growth in the United States Decades have followed a classic protectionist policy. U.S. President Warren Harding promoted and signed a special tax cut in 1922. Harding's policy was to reduce U.S. business and agricultural taxes. After the Great Depression of World War II, the United Nations Conference on Monetary Policy adopted Bretton Woods's monetary policy to align with the 1950s and 1960s In 1971, President Richard Nixon ended US relations with Bretton Woods, leaving the United States with floating fiat currency. The Great Depression of the 1970s saw the U.S. economy slowdown in terms of GDP growth. In general, the United States has developed lower savings rates than its trading partners, in order to have a trade surplus with Germany, France, Japan, and Canada. These countries have maintained higher savings rates than the United States in the long run. (The Economist, 2005.) However, some economists have defined that GDP and employment rates may be dragged down by excessive deficits in the long run, while others believe that trade deficits are beneficial to the economy and there may be opportunities for trade tax exemptions. (Bivens, Josh 2006). Despite the trade deficit, the US economy remains strong and the dollar is likely to play the largest role in the world or any of the countries, even if it is the worst, but the country's GDP ratio remains very important.

The United States is a trading partner in several agreements, as shown in the table below. The United States has also negotiated several trade and investment agreements, often in the form of free trade. It has also negotiated several investment agreements between the two countries, which deal with capitalist rather than commodity movements. The United States is a major member of the International Trade Organization in many organizations. The purpose of joining these organizations is to sign agreements with other countries on trade issues, even there will be political debate within the country over whether the US government should reach an agreement on trade initially or not.

Picture 1: United States Free Trade Agreement



Source:[https://en.wikipedia.org/wiki/Foreigns\\_trade\\_of\\_the\\_Unit\\_States#/medias/File:FTAs\\_with\\_the\\_United\\_States.svg](https://en.wikipedia.org/wiki/Foreigns_trade_of_the_Unit_States#/medias/File:FTAs_with_the_United_States.svg)

It is a trade competition of the world's largest economy and an ongoing economic dispute between China and the United States. In 2018, Donald Trump, the President of the United States, launched a tariff strategy to block other trade with China, with the goal of forcing it to change what the United States calls "unfair trade practices" and intellectual property infringement. (Swanson, Ana, 2018). The Trump administration told the international trade forum that China's actions could lead to a US trade deficit. In response to US trade measures, the Chinese government has accused the Trump administration of involvement. With nationalist and anti-Chinese nationalism in retaliation. (Bradsher, Keith 2019). After the trade war between the two superpowers, China and the United States, spread until 2019, until January 15, 2020, the two sides reached an agreement in the first phase. But economic tensions remain high. In the end, the trade war between the two countries was widely portrayed as a trade failure and affecting the economies of both countries.

In the United States, it has led to higher costs for producers and consumers, financial difficulties for farmers. In China, trade wars have slowed economic growth and led to higher costs for imports of industrial products. Many American companies have needed to shift their supply chains to other Asian countries, leading to fears that a trade war between China and the United States could hurt the US economy. (Politi, James, 2020). Trade wars also wreaked havoc in other countries, especially on important trade between the two nations. Although some have benefited from increased production as production has shifted to them, it has affected the global economy and governments around the world need to address some of the damage caused by the conflict. (China–US trade war 2016)

Trade and trade relations between Laos and the United States officially began in 1950 when the United States inaugurated the Legislature, in which Laos was still under Indochina rule, and that relationship continued to develop after independence and independence in 1953. Laos was part of the Vietnam War between 1955-1975 between the United States and Indochina communist forces. The United States played a key role in the secret war and provided funding for the Lao PDR Civil War 1953-1975, at which time the three-party system of government: the Lao government, the Kingdom of Laos, and the Hmong resisted, with the United States as the mastermind behind the war. In 1997, a Lao monument in Vientiane was erected to commemorate the merits of those who sacrificed their lives and blood, and to dedicate the Arlington National Cemetery in Virginia as an official recognition of the US Secret War in Laos, and to honor Lao and Hmong veterans who served in Laos during the Vietnam War. ("Lao Veterans of America, 2016). However, the history of the past relations between Laos and the United States can be recognized through diplomacy, assistance in various forms can be summarized as follows:

Table1: The United States and Laos relation in history

The United States' History of Recognition, Diplomatic, and Consular Relation Establishments with Laos	
Diplomatic Relations in 1950.	Official diplomatic relations took place on July 29, 1950, when the US Ambassador to the United States, Donald Trump. R. Heath filed a petition with the King of Laos. Heath is also accredited by the Kingdom of Cambodia and Vietnam
American Legation in Laos in 1950.	The American Commission in Vientiane was established on August 22, 1950 and was inaugurated. Celebrated under the chairmanship of Paul L. Guest.
Elevation of Status of Legation in Vientiane to Embassy in 1955.	According to an official joint statement of the United States and Laos dated August 10, 1955, the United States attaches great importance to cooperation by upgrading its ambassador to Vientiane. Instead of an embassy.
Relations Altered in 1975.	After the Lao People's Democratic Republic was granted independence in December 1975, the United States promoted the Chief Executive Officer in Vientiane to the position of Ambassador Extraordinary and Plenipotentiary of the Lao People's Democratic Republic.
Ambassadorial Relations Restored in 1992.	The United States has stepped up cooperation by announcing the appointment of the first Ambassador to the Lao PDR, Ambassador Charles B. Salmon Jr. Presented to the Lao Government on August 6, 1992.

Source: United States Department of Sates, 2016 <https://history.state.gov/countries/laos>

The United States and Lao PDR have continued to expand development cooperation in areas such as health assistance, education, environmental protection, law enforcement, narcotics, cooperation in the application of international law in some areas, emphasis on nutrition in rural areas, early childhood education, and other related training. The expansion of this trade partnership was accelerated in 2009, starting with partners with the Lower Mekong countries, and by 2016 there has been a decline in comprehensive cooperation between the United States and Laos, as well as further expansion of cooperation in the Mekong-US region by 2020. The United States and Lao PDR continue to address the remnants of the Vietnam War, including the clearance of unexploded ordnance (UXO) as well as the search for the bodies of American soldiers lost in the war in Laos.

**U.S. Assistance to Laos:** The overall policy of the United States to provide assistance to Lao PDR is to help Laos achieve its development goals and maintain socio-economic stability, enabling Lao PDR to integrate with other countries in the region and become a member of ASEAN and the world economy. US assistance to Lao PDR has mainly focused on improving health infrastructure, non-formal education in remote areas, implementing economic and trade models, strengthening the administrative capacity of technical staff, improving regulations, and responding to climate change. The United States continues to provide knowledge and effects of human trafficking to vulnerable populations through the International Organization for Combating Trafficking in Persons and Drugs. The United States maintains a major UXO eradication program and educates the people of Lao PDR on the risks of UXO as well as assisting victims of UXO incidents ([U.S. Department of Sates, 2021](#))

**Bilateral Economic Relations:**

It can be said that Lao PDR is one of the fastest growing economies in the region and the economy is expected to recover rapidly. Soon after the outbreak of covid-19. Most US exports to Lao PDR include metals, vehicles, and agricultural products. In addition, US imports to Lao PDR include garments, inorganic chemicals, agricultural products, and precious metals. Due to the continuous economic growth, Lao PDR qualified for membership in the World Trade Organization (WTO) in

2013 and continued to join the ASEAN Economic Community (AEC) in 2015. Both organizations have facilitated trade with Lao PDR and continued to promote domestic trade and regulatory reforms, a conducive investment environment, and attractiveness for US investors. In addition, WTO and AEC provisions also extended compliance with the terms of the 2005 US-Laos Bilateral Trade Agreement have officially signed a trade and investment agreement in February 2016. (U.S. Department of Sates, 2021)

### **The Lao PDR's Membership in International Organizations:**

Lao PDR and the United States have been party members of the same international organization, including the United Nations, which is an international body and a platform to promote Lao PDR's role worldwide, with the Asian Regional Forum Association, Southeast Asia, Mekong Partners - United States, International Monetary Fund (IMF), World Trade Organization (WTO), and the World Bank. Lao PDR is a member of the Association of Southeast Asian Nations (ASEAN) with the fastest growing economies and the United States as a partner in trade negotiations. Lao PDR will be the United States Coordinator in ASEAN from 2018-2021. (U.S. Department of Sates, 2021)

Although Lao PDR and the United States never severed diplomatic ties after the war ended in 1975 and Marxism / Communism occupied Laos under the auspices of the Vietnamese People's Army, but relations the US-Laos relations deteriorated due to differences in ideology and political governance, but relations continued until 1982. As the economy and the United States wanted to play a role in Laos, the two countries began resuming diplomatic relations in 1992. The return of the embassy and the appointment of the US Ambassador to Vientiane to maintain that relationship Over the past decade, relations between the United States and Lao PDR have gradually improved President Barack Obama became the first US President to visit Lao PDR in 2016, when Lao PDR chaired ASEAN and hosted a regional conference. (Lederman, 2016). Since then, trade has increased, as Laos remains the 163rd largest trading partner of the United States. The total value of trade between Laos and the United States was \$ 122 million in 2017. (Ben Dolven, Thomas



[Lum, 2018](#)). The trade imbalance in 2016 is estimated at US \$ 2.88 billion, while imports are expected to reach US \$ 7.68 billion, exports of US \$ 4.8 billion, and US \$ 543 million in net services. In 2009, the United States and Laos exchanged military ambassadors for the first time in nearly 30 years.[\(Thayer, 2010\)](#), and the Obama administration has lifted the Export-Import Banking funds for US companies doing business in Laos, there is nothing the country's commitment to market liberalization. The two countries signed an aviation agreement in 2010 to strengthen and liberalize connectivity. Between 1998 and 2007, bilateral cooperation on anti-drug initiatives increased opium production decreased considerably. Since then, opium production in Laos, which continues to be a major smoker, has stabilized or dropped 96 percent. [\(Rosen, 2013\)](#). The relationship between the United States and Lao PDR is despite US ideological differences and concerns about the Hmong of Southeast Asian nations, the Lao People's Democratic Republic (LPDR). The relationship between the United States and Lao PDR is ideologically inconsistent, but the United States is concerned about the Hmong people of Southeast Asia, the Lao People's Democratic Republic (LPDR). Relations between the two countries are gradually improving as the United States and Laos work to improve ties.

In that area, and while China is gaining momentum in Southeast Asia. Continuing to strengthen technical assistance to the Government of Laos, the Government of the United States of America has begun to implement a policy of Economic relations with Laos. "This is probably the most important action the United States can take right now to influence his future policy direction." The State Department official said [\(Lum, Laos Background and U.S. Relations, 2010\)](#). To encourage American businesses to enter the Lao market, the Obama administration has taken special action to lift the ban. The US Export-Import Bank does not provide loans to such enterprises. Normal trade relations between the United States and Laos were signed into a bilateral trade agreement on September 19, 2003, following negotiations to begin free trade in 1997. [\(Freeman, 2004, p. 135\)](#). However, such an agreement cannot be implemented unless Lao PDR receives NTR status from the National Assembly. Unlike Vietnam's trade rules, which require annual NTR renewals, Laos and Cambodia 's trade laws create a permanent NTR status. Two measures to expand NTR treatment in Laos were proposed at the 105th General Assembly but did not pass, mainly due to

concerns over the country's human rights situation. The Bush administration signed a bilateral trade agreement between the United States and Vietnam, and the United States and Laos on the International Trade Agenda in 2001. Three Legislatures - H.R. 3195, S. 2200, and H.R. 3943- Filed at the 108th General Assembly to ensure that Laos goods are treated indiscriminately. The Miscellaneous Trade and Technical Corrections Act of 2004 (H.R. 1047) comprises a supply (Section 2005, as stated by the conference committee) awarding Laos NTR. On October 8, 2004 and November 19, 2004, respectively, the House and Senate decided to the conference report. ([Lum, Laos: Background and U.S. Relations, 2004, p. 6](#)). Controversy and opposition to Normal Trade Relation for Laos, NTR advocates argue that improving economic integration between the two countries will strengthen the current cooperation between the two countries. They has been at odds over the idea that increasing US trade, fiscal aid and investment would increase US influence in Laos (including US pressure on human rights restrictions), against Vietnam and China, and strengthen economic reforms within the Lao government.

Normal Trade Relation, it is argued that it will benefit the Lao people by increasing exports, creating jobs (with the least possible impact on US jobs), and lifting large numbers of Laotians, especially the Hmong, out of poverty. In addition, other parties have proposed that the NTR facilitate the integration of the LPRD into the economies of Southeast Asia and increase economic ties between Laos and the United States. ([Somneuk Davading, Francisco Quintano, Kazi M. Matin, 2005, p. 12](#)). Thus, Lao-US relations can be concluded that after the establishment of bilateral diplomatic relations. The United States Government provided more than \$ 13.4 million in foreign aid to Laos in 2006 to contribute to resolving areas of unexploded ordnance (UXO) clearance, addressing and improving health and avian influenza, and promoting education and health services. In December 2004, George W. Bush signed the Law on the Extension of Regular Trade Relations with Laos, which came into force in February 2005 on the Bilateral Trade Agreement (BTA) between the two countries. Exports of Lao goods, especially raw materials and agricultural products to the United States continued to increase, despite the volume of trade. Lao PDR is still

limited. The Government of Laos attaches great importance to the implementation of the BTA and on 2 February 2013 became a full member of the World Trade Organization (WTO).

However, due to the different systems of government that led to the deterioration of US-Lao relations after 1975, the United States' representation in Laos has been reduced despite the retention. After the collapse of the Soviet Union, Lao PDR intensified its efforts to improve relations with the other countries, especially those with socialist regimes and market economies until 1992 that diplomatic relations between the United States and Laos were restored

In early July 2012, US Secretary of State Hillary Clinton paid a state visit to the Lao PDR for the first time since 1955, and then Secretary of State John Kerry paid a second official visit to the country in 2016, and the latest visiting is Obama, he became the first US President to visit Lao PDR in September 2016, during his visit, he was warmly welcomed by the President of Laos, Mr. Bounyang Vorachit, and the two announced a comprehensive partnership. (USA g., 2021). Since then, the United States and the LPDR have experienced a warm relationship over the past decade. 2016 is the year that Lao PDR assumed the ASEAN Chairmanship and also hosted the Regional Summit. However, the United States Government remains concerned about Hmong groups in Laos, fearing that Hmong groups may not be subjected to human rights abuses and that their rights are restricted by the Lao government.

The LPDR government took on significant restrictions on civil and labor rights and political freedom. The Lao government was heavily influenced by China and Vietnam. Some observers say the LPDR hopes to offset its dependence on neighboring countries, especially China, by expanding its ties with others, but cautiously focused on US support for democracy and human rights. US cooperation in Laos focuses on resolving the Vietnam War heritage issue and helping LPDR develop its rule of law. It needs to join world and regional trade agreements and integrate economically with ASEAN.

Laos and the United States have continued to meet regularly through ASEAN diplomatic missions, including the Lower Mekong Development Initiative (LMI), an effort to promote foreign aid for the Mekong subregion, which the Ministry of Foreign Affairs formally launched in 2009 with the

aim of promoting regional cooperation; Health, and issues of women's and children's rights, environment and transport infrastructure in the region. In participating in economic cooperation initiatives with the Lower Mekong countries of Myanmar (Myanmar), Cambodia, Laos, Thailand, and Vietnam, the Council did not discriminate or hinder its products until 2004. Since then, trade has grown steadily, with exports and imports being the largest in the country.

In 2017, the total value of trade between Laos and the United States reached 122 million US dollars. Laos' exports to the United States were worth US \$ 96.4 million in 2017, an increase double of two years ago, covering clothing and precious metals. US exports to Laos reached \$ 25.7 million in 2017. The US government has made efforts to study progress opportunities and cooperation in some other areas of bilateral relations. In 2009, the United States and Laos exchanged diplomacy and defense security lessons for the first time in 30 years. And the Obama administration has lifted a ban on the US Export-Import Bank's reserve requirements for investors. US businesses in Laos, citing the country's obligation to open markets. In 2010, the two countries signed an agreement to expand comprehensive relations between the region and the aviation sector. The Defense Accounting Agency (DPAA) POW / MIA (Prisoners of War / Missing Persons) has more than 150 Joint Field Activities (JFAs) have been conducted with the LPDR government since 1985. Under the joint efforts and search efforts of 282 US service personnel who died in the war in Laos, 291 are still missing and 29 missing. Bilateral cooperation in the fight against narcotics contributed to a significant decline in opium production in northern Laos between 1998 and 2007. Since then, opium production has been eradicated by the Lao authorities and has been steadily declining, leaving only some areas in Laos that remain the main country.

**Development Issues**, the LPDR had a stimulus policy in 1986 that allowed the country to grow at a modest pace, mainly in the areas of construction, food processing, hydropower, hydropower and tourism and services. The economy grew at an average rate of more than 6% per year between 1988 and 2008, with the exception of 1997-1998, which slowed down due to the effects of the financial crisis in Asia. In recent years, Lao PDR's economy has started to grow at more than 7% per year, despite steady economic growth, but compared to neighboring countries, Lao PDR still has ineffective policies and trade imbalances at times. Lao PDR also has one of the highest child

mortality rates in Southeast Asia, and about a quarter of Lao children under the age of five are malnourished. The development of the agricultural economy compared to other sectors and the needs of the society are considered to be inconsistent growth and production depends on the use of natural resources alone, especially in the field of hydropower, mining, timber exports, high income generation and distribution. Laos' exports are limited to neighboring China, Thailand, and Vietnam. These countries are Laos' largest export markets, and foreign investors are mainly from these countries.

**The Mekong River and Hydropower:** Although these projects will generate electricity to meet domestic consumption and generate substantial income for Laos and the lower Mekong countries, they have a direct and indirect impact on the changing environment, or may include the displacement of people, the loss of agricultural land, deforestation, obstruction of the flow of streams, which will have a direct impact on aquatic and wildlife in the area where the dam is being built and in neighboring countries.

In 2018, a dam burst in southern Laos, killing 200 people, leaving five missing and more than 6,000 displaced. The Lower Mekong Initiative (MRC), an intergovernmental organization (Cambodia, Laos, Thailand, and Vietnam), aims to promote the sustainable development of the Mekong ecosystem. The Lancang-Mekong Cooperation Forum (LMC) is another US-sponsored project that began in 2006 with four Chinese-language partners. The MRC and Myanmar have focused on cooperation in transport infrastructure, food security and the development of hydropower to minimize the negative impact on the environment. But some critics have argued that the Chinese-led LMC does not pay enough attention to development and environmental concerns.

**Unexploded Ordnance:** From 1964 to 1975, the United States waged a war against the Communists and dropped more than 2.5 million tons of bombs during the Vietnam War, more than the number of bombs dropped on Germany and Japan combined during World War II. More than 50,000 Laotians have been killed or injured by unexploded ordnance (UXO) in all parts of Laos,

including 21,200 civilians. Organization of Unexploded ordnance (UXO) in Laos was reported to have had 7,761 casualties and casualties during 1964, according to the UXO Clearance Agency, which is particularly difficult to clear, especially mines that are 1-3 meters deep and take more than 30 years to clear it all. In September 2016, the United States announced a \$ 90 million three-year (2016-2018) mining clearance effort in Laos for ongoing clearance and assistance to victims and for the National Explosive Ordnance Disposal. The United States Government has provided \$ 195 million in mining and other assistance related to UXO from 1993 onwards.

**The Hmong:** In the early 1960s, the US Central Intelligence Agency in northern Laos trained about 60,000 foreign troops and armed Hmong in Vietnam, and He fought against the communists in Laos and fought against Vietnam. After communism in Laos defeated the US-backed capitalist party and came to power in 1975, Lao and Vietnamese troops destroyed almost all of the Hmong army. As many as one-third of the 350,000 Lao Hmong in 1974 fled to Thailand after 1975, and some fled to the United States. Among them, about 2,000 Hmong rebels surrendered to the Lao authorities between 2005 and 2007 and were granted the right to settle in the plains.

Overseas Hmong groups continue to mobilize Laotians who do not like the communist regime and claim that the Lao military continues its military offensive against the Hmong. However, the Lao government has provided close monitoring support from international observers to monitor the situation of Hmong and rebel settlements in the past. There are reports that most Hmong resistance has ceased, or that there have been regular clashes with Lao government troops. They say the Lao government restricts rights and activities, does not have a systematic policy, persecutes the Hmong and forces them to abide by all laws, including violations of religious freedom.

**Trafficking in Persons:** LPDR reports that it is "currently failing to achieve the goal of eradicating human trafficking that is taking place in Lao society today, especially young women who are at risk and the actions of responsible authorities are not as effective as they should be." Women, children, and men who are victims of sex trafficking and forced labor. There are also no restrictions on mining in Lao PDR and IMET assistance. (Thomas Lum, 2018). Expansion of FTA

Partnerships Taken seriously, in 2009 the United States had a policy of initiating development plans for the Lower Mekong countries to maintain its national role, and in 2016 a US-Laos Comprehensive Partnership Agreement was established, and will continue to expand in 2020. There are joint agreements to ensure economic and environmental prosperity and sustainability in the Mekong subregion.

The United States Government is launching an economic cooperation program with the government of Lao PDR to influence future Lao policy. Among the important policy considerations is the encouragement of the Lao government has agreed to be independent and to allow the international community to monitor and inspect settlements, grant civil rights and policies for the development of infrastructure and facilities to past Lao-Hmong insurgency, and allow the Hmong to return to Thailand illegally, increase mining aid in Laos, especially clothing, and developing programs for sustainable microbial farming.

#### **2.4 Other Article research on Laos-US economic and trade cooperation**

US-Laos-Cambodia Relations by CARLYLE A. THAYER It examines the process of tightening US-Lao relations. There were discussions on major domestic and foreign issues affecting the decision in Washington, Vientiane Capital to start the process. Since the mid-1980s, (Thayer, 2010) relations between the United States and Laos have steadily improved. Lao PDR's assistance in locating missing American workers in the Vietnam War is strong important motivation. After the resumption of diplomatic relations in 1992, both sides worked to resolve the two countries' concerns, which resulted in the political, economic, military relations between the two developed countries. Due to the brutal strategy of the Hun Sen government, relations between the United States and Cambodia have shifted. Due to the domestic unrest that erupted in 1997, (Thayer, 2010) the United States temporarily suspended economic aid for ten years. However, trade relations have improved as the United States has surpassed China as a market as Cambodia's most significant market. In contrast to Laos, military relations with the Cambodian army reached a peak in 2009 with the visit of the Cambodian Defense Minister in the United States. Among the reasons for the

reconciliation are internal forces, the US Congress and both Lao refugees have played a key role in this. The process has been influenced by external influences, especially after Laos and Cambodia joined ASEAN and the Obama administration began to emphasize the importance of multilateralism in its foreign policy. The growing path of bilateral relations will continue to be hampered by a democratic nature of Lao and Cambodia's political systems, as well as his human rights abuses on both sides of the border. However, geographic competition between the United States and China will reduce this impact.

Thomas Lum, 2010. Study on Background and U.S. Relations, the report stated that the United States and the Lao People's Democratic Republic (LPDR) work together on development in many areas, despite differences in ideology and political regimes and some US policies concerned about human rights abuses against the Hmong and the Lao people. In order to maintain its influence and influence in Southeast Asia, the US government has upgraded relations with the Communist Party of Vietnam and comprehensively strengthened economic ties with China include mining blockade projects, anti-drug, increased trade regulation and capacity, prevention and treatment of HIV / AIDS, rehabilitation America lost in the Vietnam War, education and training. In 2008, the United States and Laos exchanged high-level defense delegations for the first time in 30 years. The United States Government has discussed security issues in a number of areas, and has pursued economic policies with the LPDR to influence and play a key role in leading Lao PDR's current and future policies. Under the leadership of the Obama administration, US and members of Congress expressed concern over the living conditions and rights of former Hmong rebels and their families, who had historically strong ties to the Lao-Hmong royal army, which grew under the Vietnam War, and the Lao government of the Thai government, which may have some 4,500 Lao-Hmong people living in Thailand, and many claim that they may be persecuted or discriminated against in returning them to Laos. In June 2009, 31 U.S. lawmakers signed an official letter to Secretary of State Hillary Clinton urging the Thai government to consider and issue a policy banning the repatriation of Hmong to Laos because the United States is concerned that if they return, their rights will be violated. US officials also called on the Thai and Lao governments to be more



transparent and fair in the implementation of human rights laws for Hmong resettlers. In April 2009, H.Con.Res. 112, “Demonstration of the organization as 'Lao-Hmong National Recognition Day” was presented in the House of Representatives. Laos is one of the poorest countries in Asia, but it has made great strides in terms of governance, strong political system, peaceful society, and small but remarkable economic status. In 2009, the LPDR signed the International Convention on the Implementation of the Civil and Political Rights of the United Nations and promulgated the legal framework for non-governmental organizations operating in the Lao PDR. Opium production and use have declined sharply since 1998. Between 1988 and 2008, the economy grew by more than 6% per year, except from 1997-1998 due to the Asian financial crisis. Meanwhile, US-Laos trade has grown rapidly, albeit on a low footing. In 2008, the total value of trade between Laos and the United States was \$ 60 million, compared to \$ 15 million in 2006. The government has implemented economic reforms, but progress has been slow. The US policy considerations include call out on the Lao government to recognize the international independence of the former Lao-Hmong rebels and the return of Hmong from Thailand; Urges Thai government not to deport Hmong asylum seekers; Major U.S. policy considerations include urging the Lao government to accept independent, international monitoring of the resettlement of former Lao-Hmong insurgents and Hmong returnees from Thailand; urging the Thai government not to forcibly repatriate Hmong determined to be political refugees; increase support for mining activities in Laos; trade preferences or tariff reductions on Lao goods, especially garments; and develop sustainable management projects of the Mekong River. (Lum, Laos Background and U.S. Relations, 2010).

Thomas Lum, 2004, studied Background and U.S. Relations, the study found that the political situation under the leadership of the Lao People's Revolutionary Party (LPRP), a political organization of Lenin, was powerful in the Lao government and society. The LPRP is made up of insurgents but appears to be united with fundamental political or democratic change. The main parties in the LPRP represent the economic reformers, the conservatives of the economy, the military, regional and provincial interests, the Chinese Party and the Vietnamese Party, and the youth and the elderly. Some LPRP leaders report that China is a role model for economic reform.

China is carrying out economic cooperation projects with Laos and providing technical and economic assistance (Including a \$ 3.6 million grant for rubber plantations and a \$ 24 million low-interest loan in 2004). However, Vietnam's influence remains strong, especially in the political and military spheres. Since 1999, the LPRP has been confronted with relentless terrorism, sometimes violence of the political opposition. In October 1999 and November 2000, the university's students and teachers protested twice against democratic reforms. As a result, dozens of people were arrested. Since 2000, insurgents leaving Thailand have carried out several attacks on Lao border checkpoints, and anti-government groups have detonated a small number of small bombs in Vientiane and other districts, killed many people. Economic and trade conditions. Laos is a small, mountainous country with no borders with Myanmar, Cambodia, China, Thailand, and Vietnam. The poorest country in Asia, with a per capita income of \$ 310 per year, Lao PDR ranks 135th on the United Nations Human Development Index, which measures life expectancy, education, literacy and per capita gross domestic product (GDP). The country's road and communication system is underdeveloped. Sustainable agriculture accounts for about half of GDP and accounts for more than 80% of the country's labor force. About 18% of GDP comes from production. Laos also continued to deal damage and unexploded ordnance from bomb attacks of the United States in the Vietnam War. In 1986, the LPDR government introduced policies to separate the agricultural economy, allow market forces to set prices, allow the private sector to legally own land, and encourage private enterprises in all industries and key sectors. During 1988-1996, the country's economy grew at 7% per year. It started to decline in 1997 due to the effects of the Asian financial crisis, declining exports to Thailand, and poor economic policies such as centralized controls.

In 2003, Lao PDR transferred \$4 million worth of goods to the United States, up from \$2.4 million in 2002, mainly garments, wood products and coffee. In 2003, Lao PDR imported US \$ 4.6 million worth of goods from the United States. With the help of foreign investment, LPDR has built several large dams since the end of the year 1990 and began exporting electricity to Thailand and Vietnam. (Lum, Laos: Background and U.S. Relations, 2004, pp. 2-3)

## **CHAPTER III**

### **METHODOLOGIES**

With this chapter, it is considered choosing the appropriate methodology to write my thesis, it will be going to reveal the methodological analysis to show an outline of the study, and data collection, statistics as well as explanation of its result of study. The secondary data has been used for studying. I have collected this data from the internet, journals, research, books, and official statistical economic reports regarding the overall state of the state of Laos-United State Economic Relations and Trade Cooperation after establishing bilateral diplomatic relations. The study also focuses on benefits and policies of both countries are having together recently. The actions for explaining its result, it will be explained and demonstrated based on the objectives of study, follows sub-questions to address. The aim of this study is mainly implemented by comparative and evaluative methods and belongs to the comparison of international relations on economic between Laos-United States after establishing bilateral diplomatic relations. In addition, the objective of study is to provide full understanding regarding both of countries' relationship and trade cooperation in the last decade as well as US's policies and influence towards Laos PDR.

This thesis proceeds to study based on the theories and the research questions to drive the process of gathering all of the data, the study besides has been used as an approach for further analysis. As far as, the analysis based on deductive approaches starts with a problem formulation and through the use of theory and argumentation reach a particular conclusion. In contemplation of gaining knowledge over the problem statement, this study understands the theory of neorealism which means that the actions and behaviour of states are caused by the structure of our world and not by human nature or social construction. ([Wendt, Alexander, 1992, pp. 391-425](#))

My case study I choose and review the appropriate literature which encompasses both traditional and non-traditional economic concerns, in order to examine Laos - US economic policies and trade relations that have a direct impact on the economies of the core countries. Nevertheless, there has not been an evaluative study taking into account these above-mentioned aspects together that underlie the comparative economic relation of Laos-US in the post-normalization period.

Consequently, several aspects of discussion in this study just have been separated in different economic relation studies and comparative economic levels.

### **3.1 Data collection**

In my case study, data collection is the writing and analysis of information from various sources. This refers to data collected from official sources of secondary information for the socio-economic sciences, including the census, data collection represented by the official website of China, and Laos' Ministry of Foreign Affairs, government departments, interorganizational records and so on that was originally collected for this research purposes. Data collection in this study, secondary data whether subject definitions, related theories, research concept, research relation...etc. Besides, I also collected these data from textbooks, encyclopedias, news articles, web pages, internet browsers, and review articles. All these are useful data for using a citation. The main sources are from:

- Internet and web pages: view of general definitions of economics, evolutionary economics, types of economics, types of economic systems, economic relations, trade cooperation and its definition of trade, definition of cooperation, trade cooperation.
- Journals, textbooks and article: History of Laos-US economic relations (state of US - Laos Relationship, US Assistance to Laos, Bilateral Economic Relations, The Lao PDR's Membership in International Organizations and Foreign assistance and trade relations), Trade cooperation with Laos-US economic (the benefit of Laos gains from having on trade relation with US)
- Article Research: related research on economic relations and trade cooperation of Laos-US economic over the last decade.

The study uses qualitative analysis methodology involving collecting and analyzing non-numerical data to gather in-depth insights into economic relationship between Laos - US. The study also adapts both official documents and other materials provided by other researchers that proved to be useful for the study.

### **3.2 Data Analysis**

The first step in streamlining a process is to analyze it to understand activities, their relationships, and the value of relevant metrics. The process analysis generally involves the task as followed:

- Define the scope of the process that marks the entry point of the process input and the exit point of the process output.
- Create a process flow diagram that illustrates the various process activities and give them are related.
- Determine the capabilities of each step in the process. Calculate other measures of interest.
- Set the bottleneck, that is, the procedure with the lowest capacity.

In order to complete objectives of this study, I have designed to build up a research instrument to be most appropriate and precise for doing data collection. In this section of study is how to measure data collection that has been intended to be a research tool. The steps of measurement will focus analyzing on statistics of the economic relations results, essential data, the related records' contextual study, the evaluation, and analysis of previous and current affairs utilizing event-specific behavioral analyses from official studies result of Laos-China relations, journal articles, and information publicized in newspaper, reports, articles of economic analysts, professional perspectives, and authors' evaluation will also be evaluated. It also contains related studies or scholarly articles for discussion.

Moreover, based on the research questions, and appropriate statistic will use percentage to explain the result of numerical statistic and indicators on economic relations of Laos-US. The analysis will be based on research questions as follow: 1). Analyze Laos and US economic and trade relationship. 2). Analyze Laos' benefit from having a trade relationship with US, 3). Analyze how trade reduce poverty and support the growth of a country is, and 4). Analyze United States' economic and trade policy toward Laos. All what are mentioned above, it will be useful to better understand how situation of Laos - US economic relation now is when its analysis is made and explained. In conclude, by taking into account all of my data collected, the objective of study was

to get scientific knowledge and to answer to the main and sub questions proposed to be studied in this thesis.

## **CHAPTER IV.**

### **ANALYSIS AND DISCUSSION**

This chapter provides the data and a discussion of the findings. A secondary data from three different sources were used to collect data from subjects. A convenient sample data was selected from 1.) Internet and web pages (view of general definitions of economics, evolutionary economics, types of economics, types of economic systems, economic relations, trade cooperation and its definition of trade, definition of cooperation, trade cooperation), 2.) Journals, textbooks and article History of Laos-US economic relations (state of US - Laos Relationship, US Assistance to Laos, Bilateral Economic Relations, The Lao PDR's Membership in International Organizations and Foreign assistance and trade relations), Trade cooperation with Laos-US economic (the benefit of Laos gains from having on trade relation with US) 3.) Article Research: related research on economic relations and trade cooperation of Laos-US economic over the last decade.

For data Analysis in this part, I streamlined the process of using statistics to explain and illustrate, condense and recap, and evaluate data. Forms of analysis are defined by specific qualitative methods (field study, analysis of ethnic content, oral history, biography, uninterrupted research) and data formats (field notes, documents, audio, video). An important element of ensuring the accuracy of the data is the accurate and appropriate analysis of the research results. False statistical analysis distorts scientific findings, misleading readers and may adversely affect public perception of research. Integrity issues are related to the analysis of non-statistical data as well ([Shepard, 2002](#)).

Data analysis and descriptive statistics in terms of percentages were used for explaining its each result. The research results are presented according to objectives of study and research questions which includes 1.) How is the overall state of Laos-United States on economic relations and trade

cooperation? 2.) What are the overall benefits of Laos gaining it from having engagement on economic relations and trade cooperation? 3.) How does trade reduce poverty and support the growth of a country? and 4.) What does United States’ economic relations and trade cooperation toward Laos? Those can be explained as its result following:

**4.1 Overall state of Laos-United Sates’ economic relations and trade cooperation**

The United States and Laos began a bilateral trade agreement in 1997 and signed it on September 19, 2003. However, the agreement could not enter into force unless Congress granted NTR status. Unlike Vietnam's trade rules that allow annual NTR renewals, Laos and Cambodia's trade laws give permanent NTR status. Two draft laws to expand NTR treatment in Laos were used at the 105th General Assembly but did not promulgate, largely due to concerns about the human rights situation. In 2001, the Bush administration included US-Vietnam and Laos-Laos bilateral trade agreements on its international trade agenda. Three draft laws were adopted in the resolutions of the 108th General Assembly H.R. 3195, S. 2200, and H.R. 3943 to expand indiscriminate treatment of his products. The Miscellaneous Trade and Technical Corrections Act of 2004 (H.R. 1047) contains provision (Section 2005, as reported out by the conference committee) that would grant NTR to Laos. The House and Senate agreed to the conference report on October 8, 2004, and November 19, 2004, respectively (Lum, Laos: Background and U.S. Relations, 2004). The United States and Laos signed the Trade and Investment Framework Agreement (TIFA) on 17 February 2016. This agreement is a key mechanism for discussing trade and investment issues between the United States and Laos.

Table: 2 The United States–Laos Trade and Investment Framework Agreement

Trade Agreements	The United States–Laos Trade and Investment Framework Agreement	
	Tariffs and Taxes	<ul style="list-style-type: none"> <li>• <b>Tariffs:</b> The average applicable tax rate for Laos (MFN) is 8.6 percent in 2019 (latest data). Laos'</li> </ul>

<p>Import policies</p>		<p>average MFN tariff rate is 11.2% for agricultural products and 8.2% for non-agricultural products in 2019. Laos is bound by 100 percent of the World Trade Organization (WTO) tariffs, with an average WTO binding rate on MFNs at 19.2 percent when all of its WTO membership treaties enter into force in 2023. Conversely, almost all imports. ASEAN member states are now benefiting from tariff concessions Significantly with a tax rate of five percent or less.</p> <ul style="list-style-type: none"> <li>• <b>Taxes:</b> Laos has been implementing a value-added tax (VAT) system since 2010. A 10 percent value-added tax rate applies to most domestic goods and services and imports, with some exceptions. The value added tax on exports is zero percent, except for the export of unfinished natural resources, which is subject to a 10 percent value added tax. However, the implementation of VAT has been delayed, and the issue of VAT payment and refunds has been a major concern for foreign businesses in Laos. Lao authorities have also begun imposing tariffs on certain goods, such as vehicles and fuel. Tax rates range from 5 percent to 90 percent. The United States and other foreign businesses have raised concerns with both the US and Lao</li> </ul>
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		governments about duplicate, oppose or selective tax regulations.
	Non-Tariff Barriers	<ul style="list-style-type: none"> <li>• <b>Import Licensing and Restrictions:</b> The Lao Government has gradually removed license requirements for some imports, although certain products, including motor vehicles, refined petroleum fuels and oil, natural gas, and timber products, are still subject to import licensing. Laos is in the final stages of updating its import licensing requirements but has yet to notify relevant WTO committees. The Lao government is gradually revoking certain import licenses, although some goods, including vehicles, motor vehicles, refined oil and gas, natural gas and timber, are still allowed to be imported. Lao authorities are in the final stages of revising import licensing requirements but have not yet notified the relevant WTO committees.</li> <li>• <b>Customs Barriers and Trade Facilitation:</b> Lao authorities have submitted a draft law on tariff assessment in 2013 to the World Trade Organization but have not yet to respond to a checklist explaining how the tariff agreement has been implemented. In 2019, the Customs Department of the Ministry of Finance introduced the Lao National Single Window to</li> </ul>

		simplify the customs process and connect Laos to the ASEAN region.
Technical Barriers to Trade	Vehicles	Government of the Lao PDR's Decree No. 470 of 2019 on the Management of Land Vehicles stipulates that vehicle imported and used in Lao PDR meet regional and international standards and comply with international conventions and agreements to which it is a party. Additional regulations are expected, and the United States will continue to monitor regulatory developments by 2021.
Government Procurement Protection		Laos is not a party to the WTO Government Procurement Agreement (GPA) or an observer to the WTO Commission on Government Procurement.
Intellectual Property Protection		With the help of the US Government, Laos continues to build an effective system for enforcing intellectual property (IP). Laos continues to improve its IP system, including regulating the implementation of intellectual property laws, and continues to raise awareness and media coverage of the damage caused by counterfeit products and the impact of copyright infringement on the local content industry. However, counterfeit and piracy products continue to exist in the Lao market. The United States will continue to work with Laos under the TIFA and other discussions to urge Laos to take further steps to improve IP protection and enforcement, including

		through accession to international IP agreements, the development of IP justice capacity, and further public awareness of importance of IP.
Services Barriers	Financial Services	In November 2017, the National Assembly passed the National Payment Law. The law establishes a Payment System Division at the Bank of the Lao PDR (BoL). This department is responsible for establishing a state for the management and reform of the payment system in Laos, including the establishment of a possible national electronic payment gateway. The BoL issued the Retail Payment System Agreement No. 293 / BoL in April 2019, which sets out the licensing and reporting requirements for the retail electronic payment service provider. The Lao government has outlined plans to draft additional agreements that will set out the terms and conditions for the provision of payment services in Laos, including on a cross-border basis. The US Government continues to closely monitor the development of Lao regulations in the field of electronic payments to ensure that the adopted measures are conducive to competition and play a role for US e-payment service providers.
Investment Barriers		Laos has a challenging investment climate due to concerns about corruption, contract difficulties,

		<p>underdeveloped judiciary, overlapping and often conflicting regulations, and limited access to financial services. Domestic ownership and partnership conditions vary by industry, and the administrative process for obtaining investment licenses is often inconsistent or inefficient. Laos requires a business license from year to year, receipts are subject to proof that all taxes have been paid. However, the Lao government often assesses taxes in an unpredictable way. In February 2018, Prime Minister Thongloun Sisoulit ordered ministries to focus on improving the business environment, with some measurable improvements, including a reduction in the time required to apply for a business license. However, comprehensive reforms aimed at improving the business environment are all about unsuccessful.</p>
<p>Barriers to digital trade and electronic commerce</p>		<p>Laos issued Decree No. 327 on Internet Information Management in 2014, which created a legal loophole for US internet service providers doing business in Laos. Under the decree, "webmasters" may be required to actively monitor the content posted on their site and may be legally responsible for the content on their site, even if that content was created by a third party. For websites that rely on user-generated content, such as social networks, customer</p>

		review sites, and online discussion forums, this decree creates legal openness and uncertainty.
Other Barriers	Bribery and Corruption	Corruption remains a stumbling block for U.S. businesses seeking to do business or trade with Laos. However, the current government has focused on fighting corruption. Laos has improved transparency in the domestic law enforcement process, including the opening of the Ministry of Justice's Electronic Department in 2013. According to the 2012 Law on the Establishment of the Law, all new draft laws and regulations must be published in at least 60 days. In 2018, under the auspices of the United States, Lao PDR released the “Law on Laos” smartphone app, which allows people to download the platform for free to access all the laws and regulations found in the Ministry of Justice’s Electronic Official Gazette. This development makes investors, entrepreneurs, and the public a more accessible and user-friendly platform for learning about Lao law. However, not all government agencies publish their laws and regulations online, and there are limited opportunities for shaping draft legislation.

Source: <https://ustr.gov/sites/default/files/files/reports/2021/2021NTE.pdf>

## **4.2 Trade cooperation reduces the poverty and support the growth of a country**

Laos' GDP is projected to reach US \$ 18.7 billion by 2020 (according to current market exchange rates); Real GDP increased by about 0.2 percent; and the population is estimated at 7 million (Source: [International Monetary Fund](#))

Lao PDR is now our 157th largest trading partner, with a trade value of \$ 129 million (two-way). By 2020, exports will reach \$ 25 million, while imports will reach \$ 105 million. In 2020, the US trade deficit with Laos will be US \$ 80 million. According to the US Department of Commerce, exports to Laos in 2019 were supported by about 71 jobs. ([USA, Laos, 2021](#))

### **Exports**

- By 2020, Laos was the 184th largest export market for the United States.
- US exports to Laos in 2020 totaled \$ 25 million, an increase of 43.8% (\$ 7 million) compared to 2019 and 94% compared to 2010.
- By 2020, the top two-digit HS export figures will be aircraft (\$ 5 million), wood (\$ 4 million), equipment (\$ 2 million), and automobiles (\$ 2 million), followed by precious metals and diamonds (\$ 2 million).
- In 2020, the United States will export US \$ 4 million worth of agricultural products to Laos. Rice (\$ 1 million), soybeans (\$ 685,000), beans (\$ 407,000), food, animal feed (\$ 194,000), and tobacco (\$ 164,000) are the top domestic exports.

Figure 2: US export to Laos in 2020

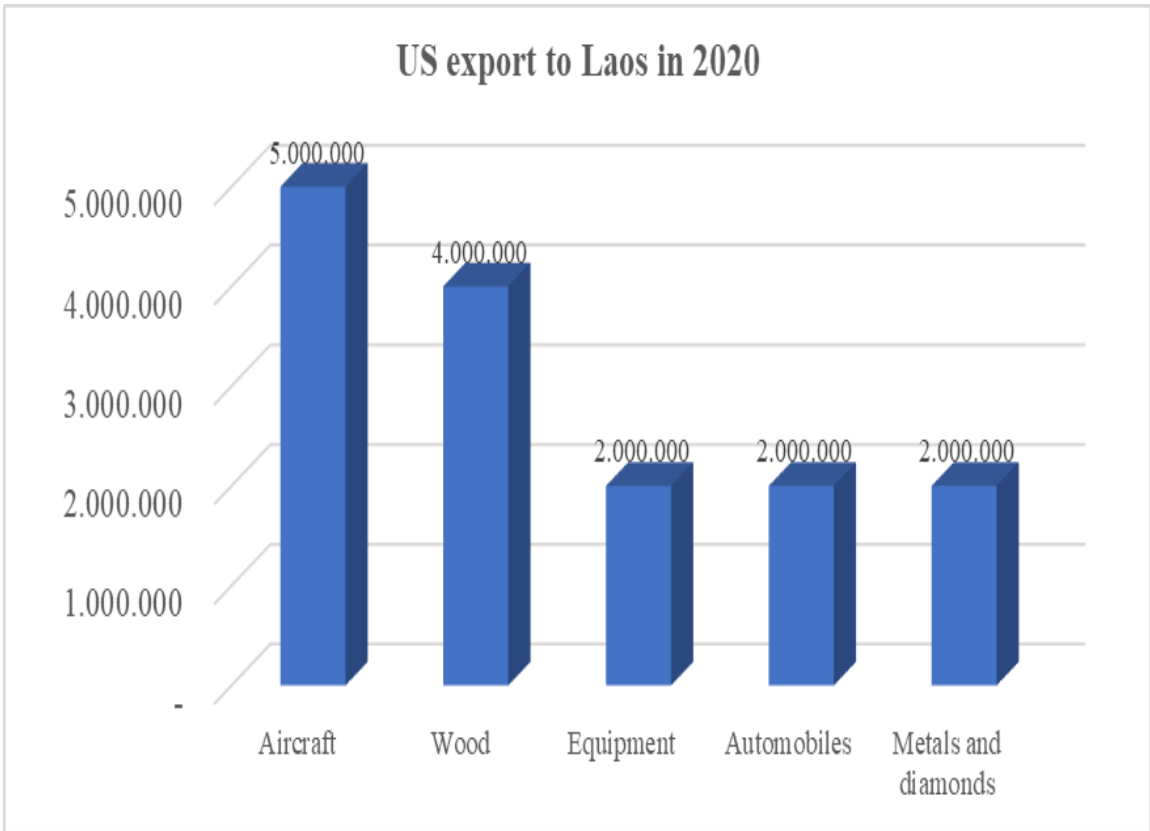
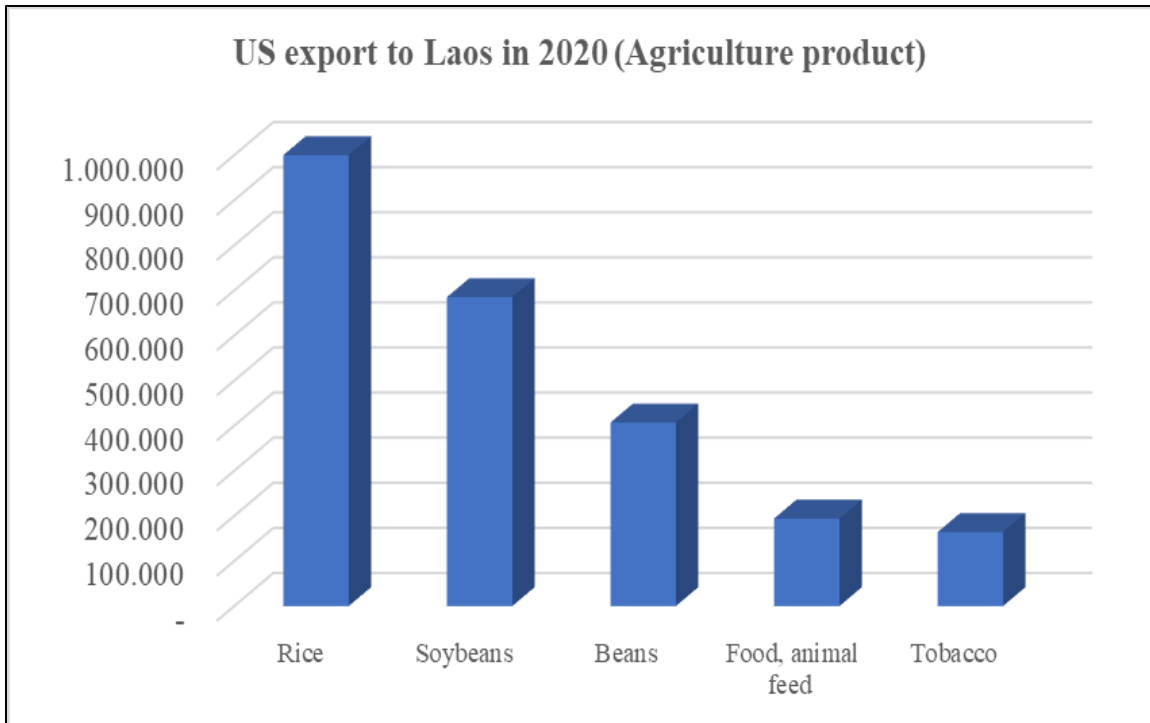


Figure 3: US export to Laos in 2020(Agriculture Product)



## Imports

- By 2020, Lao PDR was the 117th largest supplier of goods to the United States.
- In 2020, the United States imported goods from Laos worth US \$ 105 million, down 29.8 percent (US \$ 44 million) from 2019 but up 77 percent from 2010.
- By 2020, the top two-digit HS imports will be electronics (\$ 46 million), optical and medical equipment (\$ 19 million), footwear (\$ 11 million), precious metals and diamonds (\$ 5 million), coffee, tea, and spices (coffee) (US \$ 4 million).
- By 2020, the United States will import US \$ 4 million worth of agricultural products from Laos. Unpasteurized coffee (\$ 4 million), sugar, confectionery, and soft drinks (\$ 181,000), beer (\$ 154,000), rice (\$ 28,000), and essential oils (\$ 4 thousand) are the top categories.

Figure 4: US imports from Laos in 2020

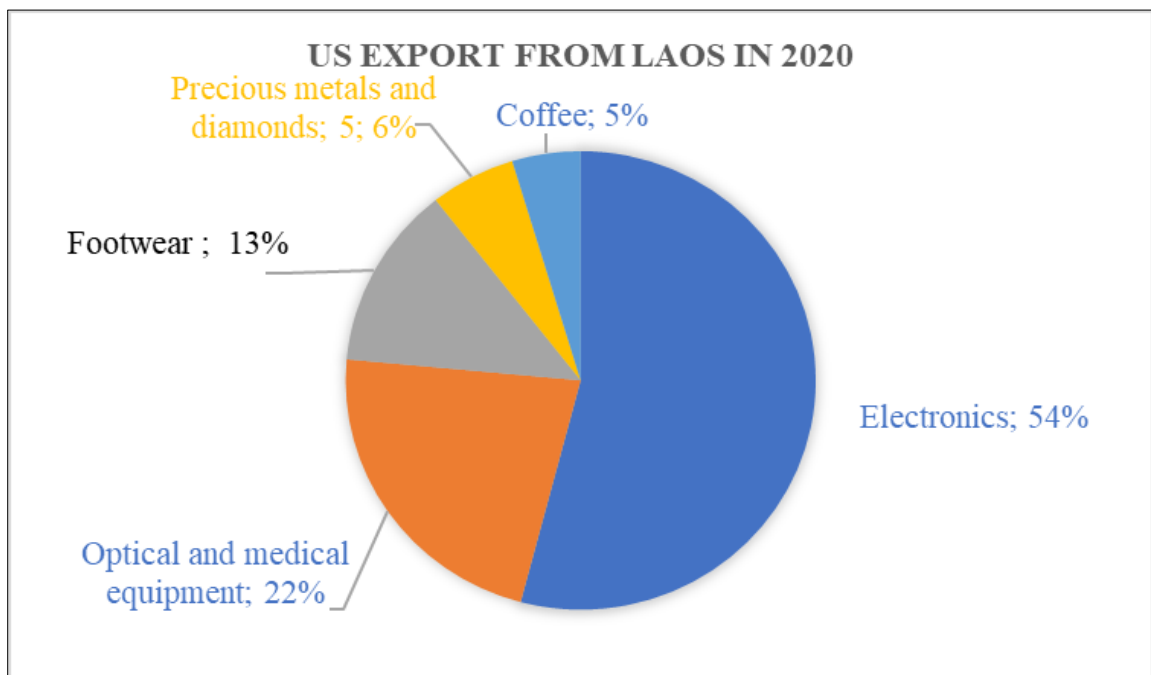
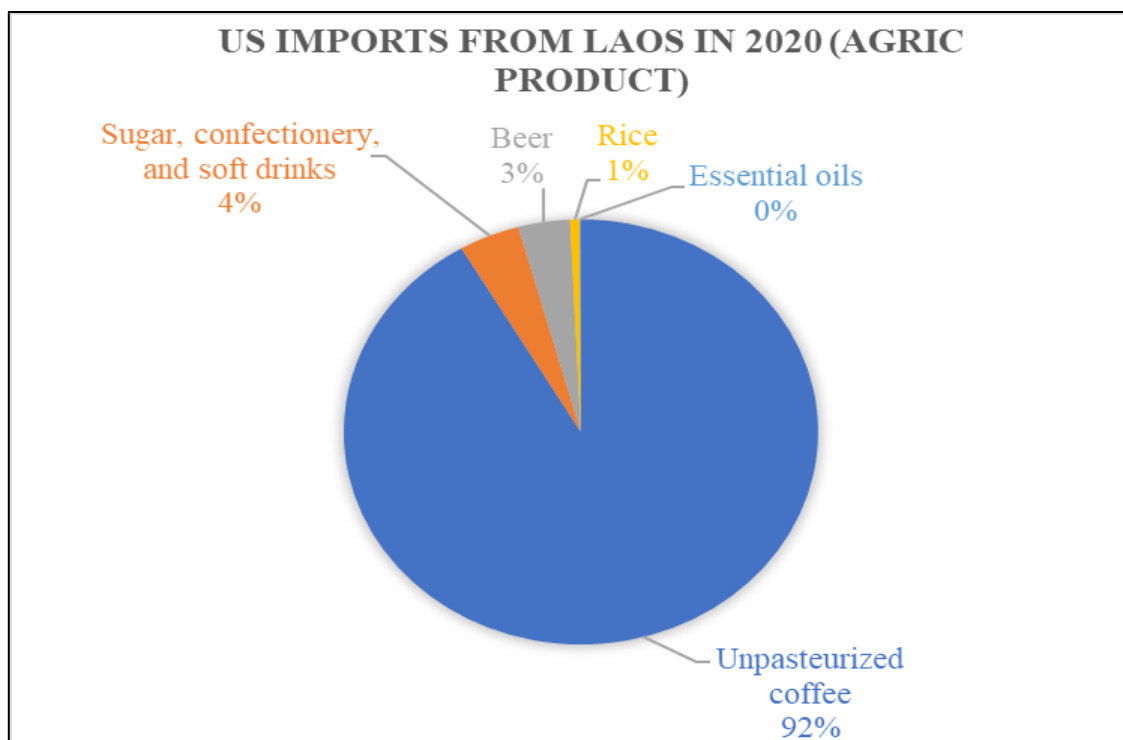


Figure 5: US imports from Laos in 2020(Agriculture Product)





By establishing and implementing strong, modern, transparent and inclusive economic policies and regulations, the US initiative is helping Laos integrate into the global economy. Integration into the global economy will contribute to the growth of sustainable trade and investment, as well as create conditions for access to economic opportunities and higher salaries for men and women from all sectors of Lao society. Increasing revenue is key to Laos' goal of becoming a middle-income country by 2020. (USA, USAID, 2021, [Economic Growth and Trade, 2021](#)).

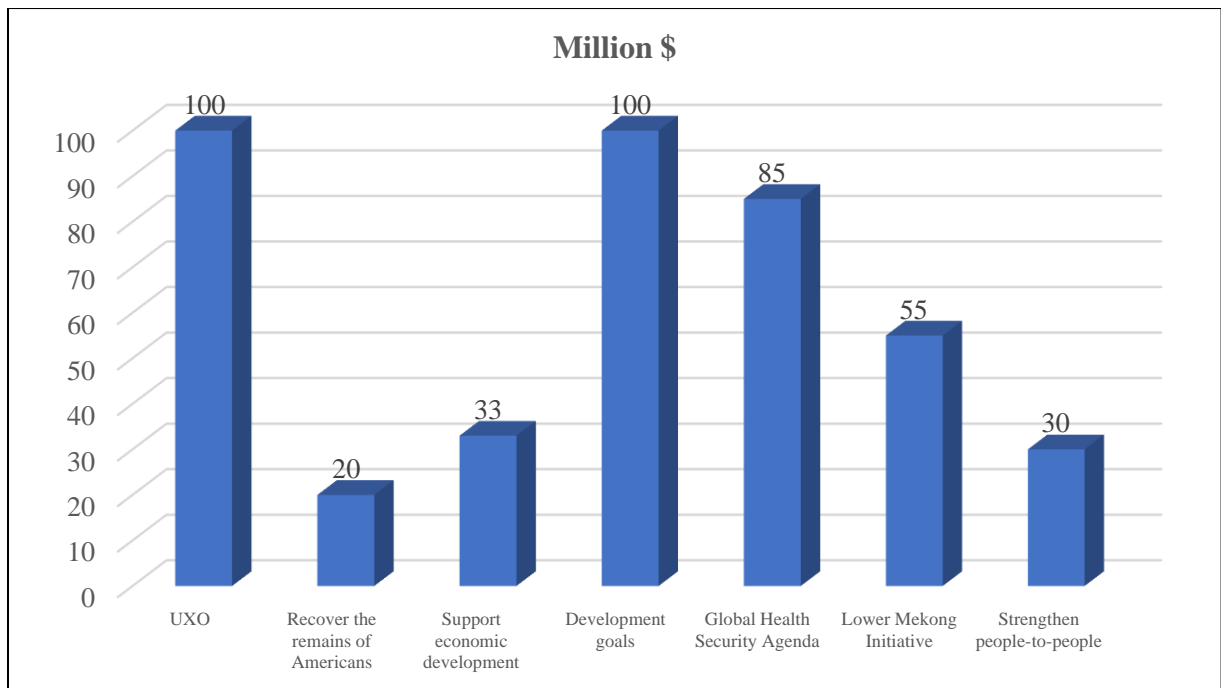
#### **4.3 Laos benefit from trade relationship with the US**

Since 1997, when the United States and the Lao People's Democratic Republic (LPDR) reached a bilateral trade agreement, legislation to extend normal trade relations (NTR) to the LPDR has faced opposition from many members of Congress over the human rights situation in Laos, and the plight of the Hmong minority. In 2004, Laos, one of the poorest countries in Asia, was one of only three countries without normal trade relations with the United States and the only country with normal diplomatic relations to reject NTR treatment. Some prominent Hmong-American organizations

oppose the issuance of the trade agreement, although the American community as a whole has reported differences on the issue. (Lum, Laos: Background and U.S. Relations, 2004)

Through the newly-established Comprehensive Partnership, the United States and Laos are opening a new era of bilateral relations based on common interests as well as a shared desire to heal the wounds of the past and build a foundation for the future. Through the establishment of comprehensive partnership, the United States and Laos are opening a new phase relations between the two countries on the basis of common interests and a shared desire to heal the wounds of the past and lay the foundation to the future. Working together to resolve the inherited war and continue humanitarian cooperation, the United States and Laos laying a solid foundation for a comprehensive partnership.

Figure 6: Laos benefit from trade relationship with the US



**1). The United States is helping Laos clear unexploded ordnance (UXO):** The United States is the largest donor to this effort, contributing more than \$ 230 million since 1995. The United

States Government will continue to work with the NRA and the Lao UXO to identify other avenues for capacity building in the UXO sector. Joint priorities and visions to eliminate unexploded ordnance that hinder the nation's development by 2030. Over the past 20 years, the United States has contributed more than \$ 100 million to support UXO clearance programs, reducing the annual death toll from more than 300 to fewer than 50. The United States has pledged \$ 90 million over three years to conduct a comprehensive UXO survey in Laos and to continue clearing UXO, and to continue assisting UXO victims in coordination with medical rehabilitation centers under the Lao Ministry of Health. These efforts ensure that UXO victims have better access to quality rehabilitation services, including surgery and prosthetics to improve their lives. (USA G. , 2017). Funding for UXO clearance has been sourced from large international sources since the mid-1990s. The NRA management recommends that the UXO National Budget have had a budget plan (Level 2) for UXO work since the late 1990s.

However, little funding from the UXO budget has reportedly been leased to the NRA and UXO and partial 'provincial construction'. (NRA, Lao PDR National UXO 2012). It is only in the last 1-2 years that the Lao government has reported that it has allocated funds to clear unexploded ordnance. The money was donated to the Lao People's Army's humanitarian UXO clearance team. US-sponsored UXO activities will work to significantly increase land clearance capacity, through UXO Lao and four international non-governmental organizations (INGOs) accredited to conduct UXO clearance: The HALO Trust, Handicap International, Mines Advisory Group (MAG) and Norwegian People's Aid (NPA), in addition to the national operator, UXO has worked in nine of the 10 most affected provinces since the late 1990s. The INGO operates in the same nine provinces as UXO Laos, with the exception of SODI / Apopo, which operated in Bolikhamxay from 2009-2014. Provinces with more than half the number of UXO operators sometimes allocate districts or suburbs to specific operators.

**2). Laos and the United States have worked jointly to search for and recover the remains of Americans:** Those who were unaccounted for at the end of the Vietnam War, which resulted

in the restoration and search for the people of 273 Americans missing. They continues to find ways to improve recovery operations so that a full account is possible of the remaining 301 missing Americans and their families. The Government of Laos is committed to increasing the scale and flexibility of joint US-Lao rehabilitation operations, which will accelerate our accounting efforts and reaffirm our two countries' commitment to humanitarian cooperation.

**3). Together is expanding economic ties to support economic development in Laos and create opportunities for U.S. companies:** The United States signed an agreement on trade and investment in energy and mining with the Lao PDR in February 2016, which will further strengthen economic ties and serve as a forum for resolving cooperation issues and creating trade and investment opportunities between the two countries. The United States is investing in trade and services, as well as promoting the Lao PDR economy as a whole, with the goal of creating jobs and developing Lao skills on an international basis. GE, the parent company of an American company that has invested and announced the opening of an office to do business in Vientiane, has signed a Memorandum of Understanding with the Electricite du Laos (EDL). The goal is to upgrade and develop a technical training center, to help Lao PDR invest in the grid to advance technological advances. In addition, Microsoft has partnered with the Ministry of Education and the Ministry of Posts and Telecommunications to enable students to learn and gain experience while upgrading thousands of Lao entrepreneurs to take part-time and full-time training courses in everything from technology and engineering to engineering. At the same time, the United States Trade and Development Organization (WTO) is another project that focuses on developing and stimulating the Lao PDR economy and pledges to provide funding for feasibility studies for the 20 MW Solar Energy Development Project in the north and central part of Lao PDR, it is considered to be the first large-scale power project in Laos and also a model project to diversify in energy and as an option for the future. (USA G. , 2017)

The United States has the opportunity to strengthen its relationship with Laos by tightening the health needs of the population during the outbreak. Laos's current health shortcomings include

the measles vaccination rate, which dropped from 41.5 percent in 2018 to 37 percent by 2020, and malaria, diphtheria, tuberculosis, human immunodeficiency virus (HIV), and polio. USAID has been responsible for health initiatives for the past two years: providing 50,000 malaria screening kits by November 2020, pledging \$ 700,000 to help eradicate malaria by July 2021, and launching a new anti-HIV program in March 2021. Presidential Emergency Plan for AIDS Relief (PEPFAR). More importantly, there is a high demand for vaccines in the Lao population. In a business pulse survey conducted by the World Bank, 87% of Lao respondents showed that they were willing to receive the vaccine-19. There is significant potential for the United States to supply high-quality, effective vaccines to meet this need. The United States has already provided more than \$ 10 million to help with the epidemic in Laos, donated 1 million vaccines to the country through COVIDAX, and assisted in vaccine production efforts. This has been warmly welcomed by the people and the government, which the organization should continue to build.

**4). The United States is committed to help Laos achieve its development goals:** USAID will lead new initiatives, including a new five-year reading program that will help prepare Lao students to compete and integrate into the ASEAN community. In addition, Lao PDR has been selected as a Country Challenge Fund for Let Girls Learn, which leverages and coordinates US government resources to address the many challenges that young girls face in completing school and graduation so that they can reach their full potential. Lao PDR's current development assistance includes health and nutrition promotion, trade and investment, higher education, sustainable energy, addressing environmental degradation and the effects of climate change, and challenges for people with disabilities. The new US-funded Lao-American Institute of Nutrition will help Oregon University of Science and Health and the Lao Ministry of Health work together to improve child nutrition in Laos. The United States, through the United States Department of Agriculture, has contributed nearly \$ 100 million over 10 years to a school feeding program in Laos that allows children to focus on their education.

**5). The United States and Laos are advancing the Global Health Security Agenda:** Lao PDR was officially accredited by the Global Health Insurance (GHSA) in 2014 and currently has more than 50 member countries worldwide. The United States attaches great importance to Lao PDR as a partner and member of the GHSA, as well as to assisting Lao PDR with technical assistance, medical expertise, training and state-of-the-art medical equipment, and also jointly developing a five-year strategic plan. In 2016. ([USA G., 2017](#))

In addition to the participation of the Government of the United States and the Lao PDR, representatives from the World Health Organization (WHO), Food and Agriculture Organization, and the International Bilateral Development Organization (EU, Japan, the Republic of Korea) attended the meeting. Indeed, Laos faces many challenges in the health sector, including a shortage of adequately trained personnel, a weak infrastructure, the ability to monitor infectious diseases and epidemic response, limited maternal and child health, maternal and child health coverage. Providing education and working for people with disabilities remains a serious problem in Laos.

Due to its location in the heart of the Mekong region and the rapid socio-economic changes, including the increase in trade and cross-border migration of Laos, it faces an increasing threat of communicable diseases. Maternal and child mortality rates are the highest in the region, with nearly 20,000 children under the age of five dying from diarrhea, malnutrition and respiratory diseases.

USAID seeks to further reduce the spread of HIV / AIDS in Laos and to reduce the impact of the disease on affected people and their families, by strengthening the government's HIV / AIDS program. The HIV / AIDS prevention kit developed by USAID is currently in use in six provinces. Strengthening for the National Avian Influenza Program, USAID is strengthening the Government of Lao PDR's ability to anticipate and identify emerging pathogens from wildlife populations. The reshuffle is helping to mobilize human and animal health organizations to work together to respond to disease outbreaks, enabling speed control, which is a protection of public health across the country and across the region.

**6). The U.S.-supported Lower Mekong Initiative:** Launched in 2009, it serves as a platform to address transnational development and regional policy challenges in the Lower Mekong region. The initiative seeks to bring the GMS countries together to accelerate growth of regional economy and strengthen the environmental and social development of the region, including:

- **Strengthening Water Management**

The United States will assist in the development of environmental programs in the Mekong region to help address future challenges. Projects include the development of the “Forecast River,” as a forecasting model to demonstrate the impact of Climate change and other challenges to the sustainable development of the Mekong Basin. Recently, the Mekong Commission and the Mississippi River Commission signed the "Mekong" Agreement. To work together to improve the management of transboundary water resources. The United States is also working to support projects that promote sustainable use of forest and water resources, protect the Mekong Basin's vast biodiversity, and increase access to safe drinking water.

- **Supporting Education**

US educational assistance includes the exchange of more than 500 students and academic exchanges with the Mekong countries each year through the Fulbright and other educational programs. Both the US government and the private sector in the United States support increasing access to basic education and expanding connectivity. Broadband internet connection, especially in rural areas. The Ministry of Foreign Affairs is launching an international tourism program in the region to bring in working professionals. In the field of health, environment and education to the United States to share best practices and build relationships. The Ministry of Foreign Affairs also provides educational outreach in our three LMI partner countries to assist with training the leaders to communicate well in English, to work effectively with regional and international partners

- **Improving Health Systems**

US assistance to the Mekong countries in the field of health has been abandoned to reducing the rate of HIV / AIDS in Cambodia by 50%, and provides medical services and protect

more than 2 million people in the region. The United States has also provided ongoing support for programs to prepare for and respond to influenza threats in the Mekong region. Finally, the United States has assisted our regional partners in the monitoring, identification and treatment of malaria, and several strains of resistant tuberculosis in the Mekong region.

**7). The United States seeks to strengthen people-to-people ties with Laos:** By enhancing the relationship between the youth of our two countries. Recognizing that 70 percent of the Lao population is under the age of 30, the United States has partnered with the next generation of young people and provided a full complement of US exchange programs to Lao citizens, including the Fulbright, Humphrey, Global Undergraduate Exchange Program, State Institute of Expertise and Institutional Studies. Start Southeast Asian Leaders (YSEALI). Laos has fully benefited from these projects, and more than 2,300 outstanding Lao leaders depend on the YSEALI network. We are also expanding our English language teaching program by bringing more teachers and language experts to Laos, and bringing the program to bring its classrooms and university staff to the United States to improve their English language skills. The United States and Laos have pledged to begin discussing the establishment of a national peace agency agreement.

#### **4.4 The United States' economic and trade policy toward Laos**

The United States has provided assistance to Lao PDR both through the WTO accession process and the implementation of its WTO treaties for more than a decade, including through the United States Agency for International Development (USAID) technical assistance. In addition, the United States has been working closely with Lao PDR since the launch of our Trade and Investment Agreement (TIFA) in 2016 to enhance our bilateral economic ties, as well as to pledge to work together to address bilateral concerns to facilitate our trade. In 2018, the value of two-way trade reached 157 million US dollars. The United States commends Lao PDR's efforts to improve its WTO commitments through the ratification of the Trade Facilitation Agreement (TFA) and commends the Government for an update on its implementation status. The full and prompt



implementation of the TFA will facilitate trade between Lao PDR and the rest of the world, especially for small and medium-sized traders. The United States is working with Lao PDR and other Member States to achieve high standard results that deliver meaningful commercial results for companies and consumers. Commitments to meaningful digital commerce regulations, including bans on local requirements for compulsory data and ensuring unlimited cross-border data flow, will enable Lao companies, small and medium-sized, to benefit from access to the global digital economy. The United States also encourages Lao PDR to sign the World Trade Organization (WTO) Information Technology Agreement, as outlined in the Government report. The United States has been a strong partner in Lao PDR's efforts to increase the protection and enforcement of intellectual property (IP), including its accession to the Madrid Protocol in 2016 and the revision of intellectual property laws to increase transparency and speed up litigation. The United States urges Lao PDR to continue to take measures to improve the protection and enforcement of IPs, including the development of judicial capacity to adjudicate IP cases and to raise public awareness of the importance of IPs.

US recognize the Government's progress in enhancing transparency, including through the launch of the Lao Electronic Official Gazette website. The United States encourages Lao PDR to make every effort to comply with its notification obligations, in order to provide transparency for Members and traders, and to formalize mechanisms to facilitate stakeholder consultations. The United States recognizes the government's progress in increasing transparency, including the launch of the Lao PDR's official electronic website. The United States encourages Lao PDR to abide by its declaration obligations, to create transparency for its members and entrepreneurs, and to establish formal mechanisms to facilitate stakeholder consultations. Such notices and transparency efforts will serve as a gateway to Lao PDR to the global market and supply chain by providing information to the traders they wish to do business with, and to assist in enhancing WTO obligations and compliance. ([Geneva, 2019](#)). US cooperation and development in Laos has largely focused on resolving issues left over from the Vietnam War, such as funding of international organizations that have come in to help clear unexploded ordnance (UXO) so that people can use

the land for agriculture. Support LPDR for international economic development, regulate the need for Lao PDR to join the WTO in order to have potential and stand out in the World Trade and Regional Trade Forum, support Lao PDR to integrate economically into ASEAN and as a transport hub, and environmental advocacy in the Mekong region (LMI), and the development of education, clean energy, especially hydropower, sustainable environment, aspirations for food and food security, health, and empowerment of women and women. (Ben Dolven, Thomas Lum, 2018)

## **CHAPTER V.**

### **CONCLUSION**

This section summarizes all the key points of the study to summarize them so that they can be easily understood. The study found that economic ties between the United States and the Lao People's Democratic Republic (LPDR) are the least developed and smallest country in Southeast Asia and have been ruled by a communist government since 1975. International relations, economics, international aid, accession to international organizations, funding for infrastructure, education, health, human rights, as well as loans from international organizations are all supported by the United States. Lao PDR and the United States will have differences in governance, political system, and ideology, but the United States is concerned about Laos' self-development under communist rule. The United States is also concerned about Hmong rights and restrictions that the Government of Lao PDR may impose on them on human rights or with limited rights.

However, economic relations between Lao PDR and the United States see the Government of Lao PDR as more important than diplomatic relations due to differences in many factors. But in general, the US government wants influence in Laos as well as in Southeast Asian countries to counter Chinese influence, and the US government's efforts will focus on expanding foreign relations among Southeast Asian nations to thwart the spread of Chinese influence in the region. Lao PDR builds capacity to implement trade agreements and modernize regulations" because the

Government of Lao PDR believes that this may be the most important step that the Government of Lao PDR and the United States Government can take together now and to influence future policy direction between the two countries ". In summary, the relationship between Lao PDR and the United States can be summarized and expressed as follows:

- 1.) In early June 2009, US President Barack Obama issued an order barring US Export-Import Banks and US companies seeking business in Laos from seeking business benefits, citing his intention to open up to the international market.
- 2.) The United States Government sees opportunities and progress in bilateral relations and relations in other areas. In 2008, the United States and Lao PDR exchanged ambassadors and defense work for the first time in more than 30 years since the United States won the Vietnam War and withdrew from Laos in 1975. Due to the lack of internationally recognized laws and regulations on human rights management, Lao PDR was upgraded to the number one human trafficking list in 2007 by the US Department of State. By 2008-2009, the Lao government had stepped up its crackdown on law enforcement and progress in enforcing anti-trafficking laws.
- 3.) The United States has allocated a portion of the budget to Lao PDR for the development of transport infrastructure to make Lao PDR a trade transit point for Vietnam, China, Myanmar and Thailand. In addition, bilateral cooperation on counter-narcotics has led to a crackdown on narcotics and a 96% reduction in opium poppy cultivation in Lao PDR.
- 4.) The United States considers its policy and urges the Government of Lao PDR to accept international oversight of the transfer of former Hmong (communist) military personnel and repatriated Hmong from Thailand.

Overall, the government has taken the market by focusing on cooperation in economic and international focus on potential mechanisms of economic change from landlock to landlink, being cooperation with countries in the region, especially the impact of the transition economy from economic planning center towards market reforms under the mechanism economy (NEMs) in 1986, the effects of reforms to boost growth economy greatly, especially economic. First of all, it's

fast growing in big cities with better infrastructure and then growing from central to rural areas by improving infrastructure and information networks.

In addition, the policy of opening up the country will lead to increased international cooperation and attract investment by Foreign direct investment (FDI). Laos has successfully developed friendly relations with countries in the region, becoming a member of many international organizations, In particular, ASEAN membership is essential for Laos in terms of regional economic progress, region and global.

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