



DEVELOPMENT OF DIGITAL TRADE BETWEEN LAOS AND NEIGHBORING COUNTRIES - FOCUSING ON THAILAND AND PRC



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PRESENTATION OUTLINE



Background and rationale



Methods



Results



Conclusion and policy recommendation

BACKGROUND AND RATIONALE (1/2)

- Laos, like other Southeast Asian nations, will be forced to adapt to the "New Normal" economic and social environment as a result of the COVID-19 pandemic. **Lao businesses must adapt to a new environment that increasingly involves e-commerce (where most are micro-small and medium-sized enterprises);**
- Numerous products have been promoted and sold using **Facebook pages, WhatsApp groups, websites, and mobile phone applications**. Regardless of the growth of e-commerce in Laos, the virtual platforms between vendors and buyers are informal;
- **Electronic banking systems enable distant purchasers to order and acquire commodities from both domestic and international vendors**, hence fostering a totally competitive atmosphere in which buyers/consumers can obtain desired items at lower prices

BACKGROUND AND RATIONALE (2/2)

- The Lao Government issued the Covid-19 relaxation policy on May 7, 2022, which reopened the border. As a result, fully vaccinated Lao citizens can travel abroad.
- In this regard, Lao people freely travel to Thailand's border cities for shopping and health services utilization as they used to before the pandemic. From this policy, **the online transaction between Laos and Thailand could be changed in comparison to the travel restriction period.**

OBJECTIVE

This study aims to provide updates on cross-border e-commerce after the Covid-19 pandemic. In addition, this study also seeks to review rules and regulations related to digital trade.

The result will be used to propose international cooperation that enhances digital trade sectors between Laos and neighboring countries to enhance the potential of enterprises and entrepreneurs.

METHODS

Research design

- To fulfill the research objectives, desk research and qualitative data analysis have been implemented in the analytical process.

Data collection

- For the desk research, various legal literature, studies, news, and reports from the Ministry of Industry and Commerce were carefully reviewed. Similar to the previous research, this research applies an in-depth interview with various stakeholders such as **transportation companies (3 samples), buyers (7 samples), exchange rate counters (3 samples), and pre-order service providers (5 Samples)**. The questions asked throughout the in-depth interview sessions focus on determining the why and how. The data correction period took place in Vientiane Capital from December 1-10, 2022.

RESULTS (I/7)

Measure affecting e-commerce

1. Law on Consumer protection 2010 (No. 02/NA);
2. Law on Electronic Transaction 2012 (No. 20/ NA);
3. Law on Competition 2015 (No. 60/NA);
4. Law on Cybercrime 2015 (No. 61/NA);
5. Law on Information and Communication Technology 2016 (No. 02/NA);
6. ASEAN Framework on Personal Data Protection 2016;
7. Law on Electronic Data Protection 2017 (No. 25/ NA);
8. Law on Intellectual Property 2018 (No. 38/ NA);
9. Law on Electronic Signature (No. 59/NA);
10. ASEAN Agreement on Electronic Commerce (ASEAN Secretariat)
11. Decision on Electronic Commerce 2020 (No. 1011/ MPT);
12. Decree on Electronic Commerce (No.296/ GOL)

RESULTS (2/7)

Privacy and data protection

There is no legal framework in place in Lao PDR to protect personal information and privacy. This will be crucial in increasing consumer trust in e-commerce as it expands, along with consumer protection.

Data flows and localization regulation

Laos does not significantly hinder the movement of data across international borders. Given the significance of data travelling freely for the expansion of e-commerce.

Taxation

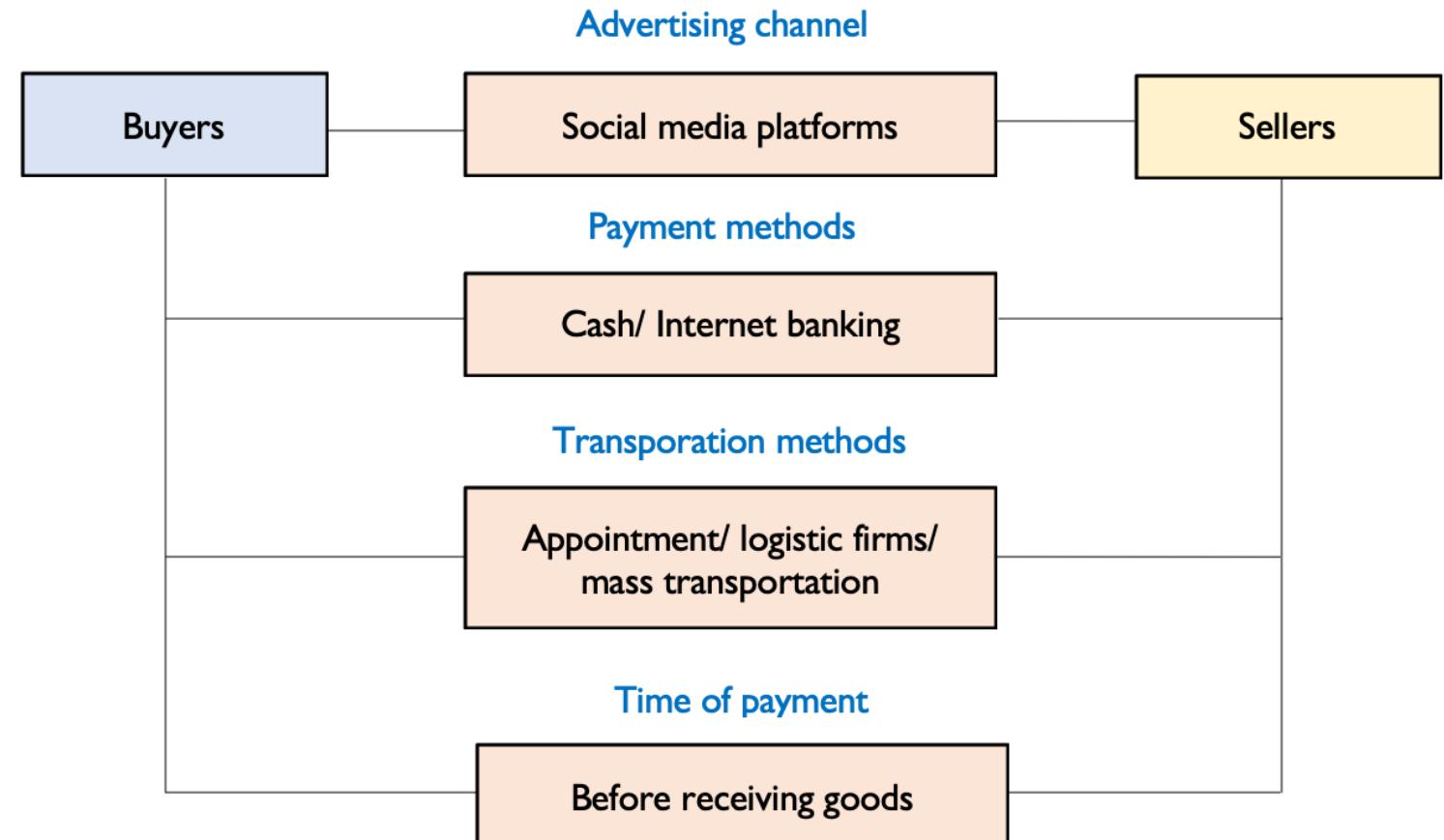
Lao PDR legislation does not have a specific system in place for taxing products and services that are transacted across international borders electronically.

E-documents and e-signatures

The essential legal framework is in place in Lao PDR, and it recognizes both digital and electronic signatures as well as paper documents. The 2012 Lao PDR Decree and Law on Electronic Transactions (LET) establishes the guidelines for the use of digital signatures and electronic documents.

RESULTS (3/7)

Figure 1: Domestic e-commerce transaction diagram



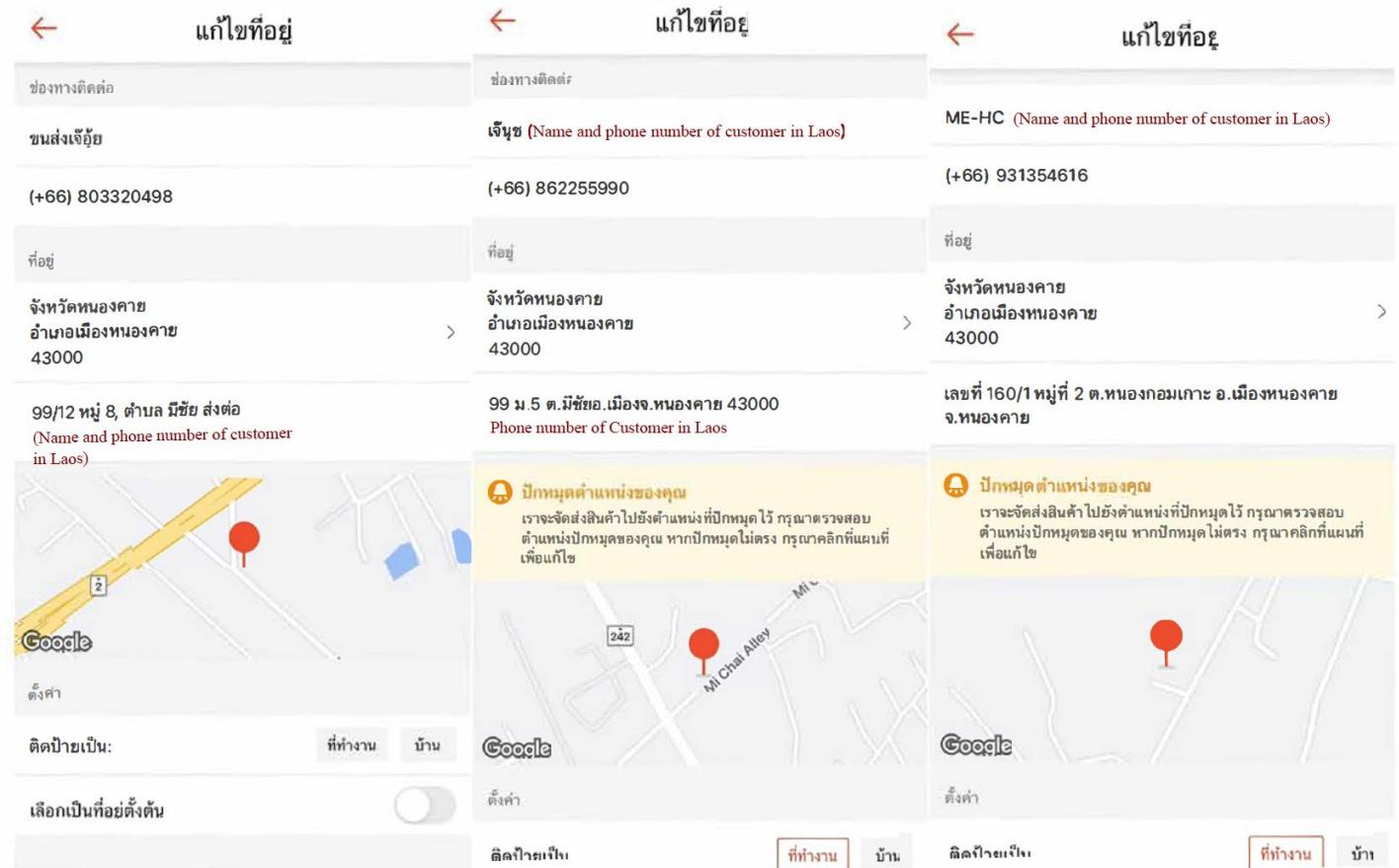
RESULTS (4/7)

Business model of cross-border e-commerce in Laos

- For international e-commerce, as mentioned earlier, people in Laos usually purchase items from China (PRC) and Thailand through those countries' e-commerce platforms.
- Customers in Laos can use Thailand's e-commerce platforms, Shopee and Lazada, where most Lao customers either use a Thai debit card or bank account or a Cash on Delivery (COD) method to make purchases. Customers who do not have a bank account are able to make purchases on the internet platform using the Cash on Delivery (COD) method. Customers, in this way pay for the ordered commodities once they are shipped to Laos. If the cost of the purchased things does not exceed 1,000 THB, the buyers can pay when the items arrive at the transportation companies, according to information retrieved from the transportation companies. Buyers are required to provide an advance payment for the goods when a transaction's value exceeds 1,000 THB (US\$30). Cash or online banking can be used to make the payment.

RESULTS (5/7)

Figure 2: Examples of registered addresses for Lao customers in a Thailand' e-commerce platform



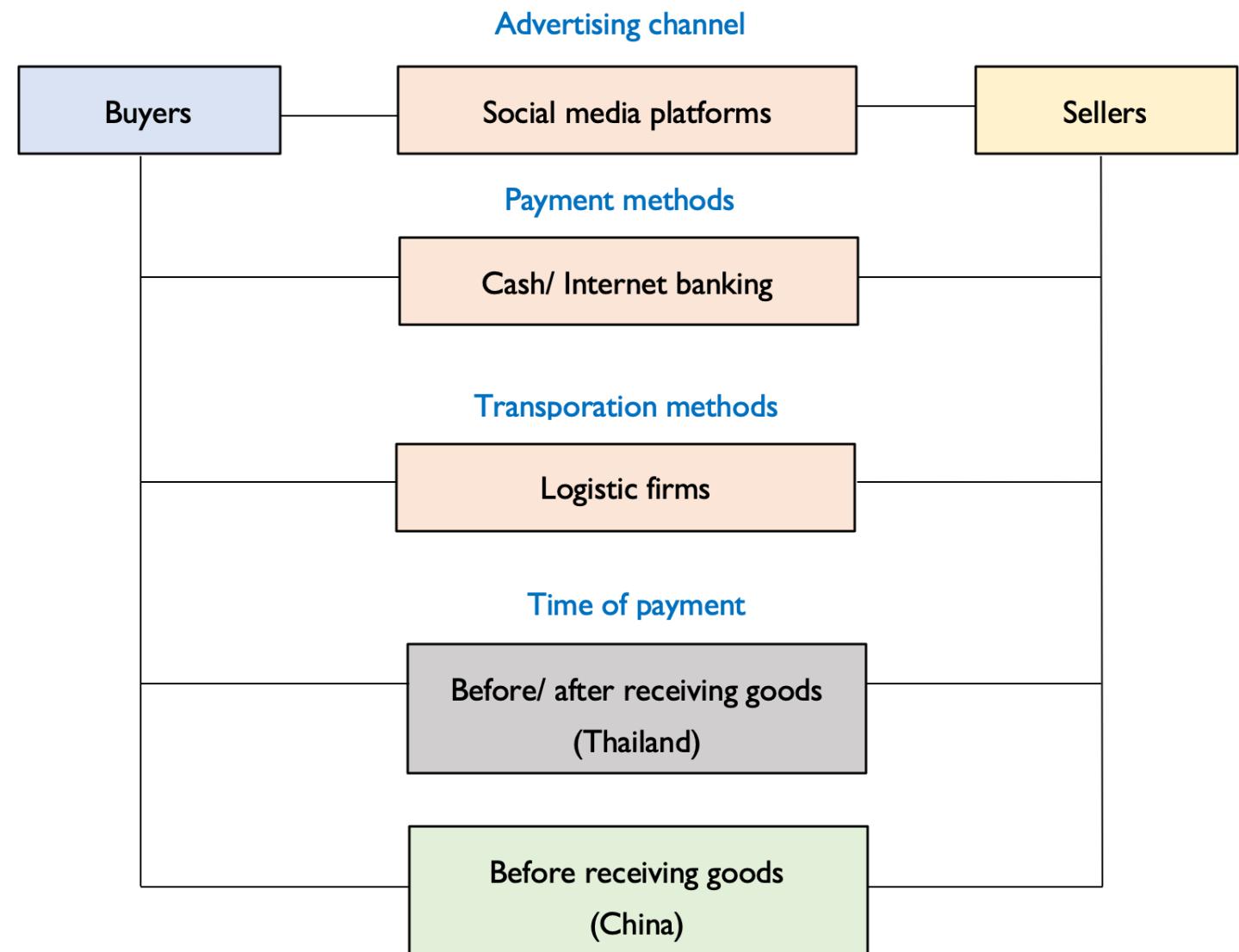
RESULTS (6/7)

Figure 3: Examples of registered addresses for Lao customers in PRC' e-commerce platform



RESULTS (7/7)

Figure 4: International e-commerce transaction diagram



IN-DEPTH INTERVIEW SESSIONS (1/2)



Before the Covid-19 pandemic, I travel to the Udon Thani province lot to buy electronic devices and groceries. During the Covid-19 pandemic, I am getting used to Shopee and Lazada; there are more items than physical stores. In addition, we can also buy used items as well. It is not necessary to go to Thailand for shopping purposes.

(Buyers, Male 35 years old)

Due to the inflation in Laos and the depreciation of LAK, we do not want to travel to Thailand. There are a lot of miscellaneous expenditures such as transportation, food expenditure, cross-border fees, and more. It is better for our family to purchase from Shopee or Lazada.

(Buyers, Female 45 years old)

It's better to purchase from online marketplace. Electronic devices (including transportation cost) are cheaper than purchase locally. For instance: a treadmill costs around 25,000 THB (including 1,500 THB for transportation cost), which is about 10,000 THB cheaper than its price in Laos.

(Buyers, Female 38 years old)

There are a lot of promotion offered in Thailand's e-commerce platform such as: monthly discount, cashback, coin collection policy, free shipping (within Thailand).

(Buyers, Female 28 years old)

IN-DEPTH INTERVIEW SESSIONS (2/2)



For very big item such as treadmills, computers, refrigerators, and TVs, it is very expensive to send them back to Thailand for service. If the inbound logistic cost is around 1,500 THB, the outbound logistic cost could be more than 5,000 THB. As a result, if the ordered treadmill has a problem cost of shipping for service could be as much as 6,500 THB (Outbound – Vientiane to Bangkok and Inbound - NongKhai to Vientiane). On the other hand, for the very cheap items, it is not worth sending the bank the item for service because the outbound logistic starts at 300 THB.

(Buyers, Female 38 years old)

A rare item can also be found in Thailand. Used auto parts and items can be found on Facebook and Instagram. The buying process is very simple; we, the buyers, just transfer money to the seller's account. However, before making a transaction, we need to carefully review comments from previous buyers.

(Buyers, Male 28 years old)

After the end of the travel restriction, we receive fewer orders from our customers. It might be because they know how to use the platform themselves

(Preorder service provider, Female 25 years old)

As a transportation company, we found that after the opening of the border. The goods transported from Thailand to Laos is immensely declined. It could be supported by various reasons such as more transportation companies; people can travel themselves to purchase stuff, high inflation, and so forth.

(Transportation company, Male 55 years old)

POLICY RECOMMENDATIONS (1/3)

1. To support the ongoing growth of domestic and international e-commerce, the government should focus on essential e-commerce infrastructure development, including internet connection, postal services, transportation, and other related issues;
2. The government is mandated to develop e-commerce rules in compliance with the Lao's National Work Plans for 2021-2025 to implement ASEAN Economic Community Blue Print and ASEAN Economic Community Blueprint 2025 and the ASEAN Work Programme on Electronic Commerce 2017–2025;
3. The government must promote the necessity and advantages of using electronic banking rather than cash as a means of expenditure;



POLICY RECOMMENDATIONS (2/3)

4. As it is unable to identify import tax collected for an online-purchased item, the government has to create a suitable system for collecting taxes on goods purchased from other countries' e-commerce platforms because direct online orders from China and Thailand are likely to rise. In particular, shipping costs and tax amounts must be explicit during the delivery procedure. The government could then efficiently collect taxes and defend local companies that import commodities in compliance with Lao government laws and regulations.
5. From the high outbound logistics, Lao sellers who want to sell their goods on foreign online marketplaces face a substantial obstacle because outgoing logistic expenses are significantly higher than inbound logistic costs. Therefore, it is highly recommended that the government put certain steps in place to lower outbound logistic costs to neighboring countries.

POLICY RECOMMENDATIONS (3/3)

6. The government must take advantage of the Lao-China Railway's potential and opportunities to carry inexpensively from Laos to China goods related to e-commerce.
7. The Lao government should look at potential ways to cooperate with Thailand or other neighboring countries' e-commerce systems in the short term to permit the use of Laos-based bank accounts to purchase and sell goods on these countries' current e-commerce platforms.



**THANK YOU FOR YOUR
ATTENTION**