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SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON

EXTENSION OF UNCONDITIONAL MOST-FAVORED-NATION TREATMENT TO MONGOLIA AND LAOS

AUGUST 28, 1997

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ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–6649
May 30, 1997
No. TR–7

Crane Announces Request for Written Comments on the Extension of Unconditional Most-Favored-Nation Treatment to Mongolia

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee is requesting written public comment for the record from all parties interested in the extension of unconditional most-favored-nation (MFN) treatment to the products of Mongolia.

BACKGROUND:

At present, Mongolia's trade status is subject to the Jackson-Vanik amendment to Title IV of the Trade Act of 1974, the provision of law governing the MFN status of nonmarket economy countries ineligible for MFN treatment as of the enactment of the Trade Act. A country subject to the provision may gain MFN treatment only by complying with the freedom-of-emigration provisions under the Act and by concluding a bilateral commercial agreement with the United States providing for reciprocal nondiscriminatory treatment. The extension of MFN treatment is also subject to approval by the Congress. The Act also authorizes the President to waive the requirements for full compliance with respect to a particular country if he determines that such a waiver will substantially promote the freedom-of-emigration provisions and if he has received assurances that the emigration practices of the countries will lead substantially to the achievement of those objectives.

On January 23, 1991, the President issued a waiver from the Jackson-Vanik freedom-of-emigration requirements for Mongolia. Later that year, the President signed into law a joint resolution, H.J.Res. 281 (P.L. 102–157), approving the extension of MFN treatment for the products of Mongolia, pursuant to the bilateral commercial agreement, on November 13, 1991. Mongolia's MFN status continued in effect under Presidential waivers in subsequent years. On September 4, 1996, the President found Mongolia to be in full compliance with the requirements contained in the Jackson-Vanik amendment.

After the extension of MFN treatment to the products of Mongolia, two-way trade between the United States and Mongolia rose from $13 million in 1991 to $35 million in 1996. Last year, U.S. exports to Mongolia totaled $4 million while U.S. imports in return were valued at $31 million.

In 1996, Mongolia became a member of the World Trade Organization (WTO). However, because the United States has not extended unconditional MFN treatment to Mongolia, the United States does not apply the WTO Agreements to that country.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement and a 3.5-inch diskette in WordPerfect or ASCII format, with their address and date of hearing noted, by the close of business, Friday, July 11, 1997, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments. At the same time written statements are submitted to the Committee, witnesses are now requested to submit their statements on a 3.5-inch diskette in WordPerfect or ASCII format.

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4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

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Note: All Committee advisories and news releases are available on the World Wide Web at "http://www.house.gov/ways—means/".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

AMONG FOUNDATION

Congressman Philip M. Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
US House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

DEAR REPRESENTATIVE CRANE:

We would like to convey our strong support for granting Mongolia permanent Most Favored Nation (MFN) status this summer. Granting Mongolia permanent MFN status is fully in line with the growing relationship between our two countries. Mongolia has made significant strides toward democracy and needs aid as well as encouragement to remain on this path. Permanent MFN status would give the Mongol a sense progress in their quest for economic independence and liberty among the worlds free lands.

There is no doubt Mongolia plays a vary small economic part in the worlds economy. They have grown from $13 million in trade with the US in 1991 to $35 million in 1996. Mongolia has been operating with MFN status under a presidential waiver since January 23, 1991. On September 4, 1996, the President found Mongolia to be in full compliance with the requirements contained in the Jackson-Vanick amendment to Title IV of the Trade Act of 1974.

In 1996, Mongolia became a member of the World Trade Organization (WTO). However, because the United States has not extended unconditional MFN treatment to Mongolia, the US does not apply the WTO Agreements to them.

We at Among operate Eagle TV as a beacon of freedom from the old Soviet system to the newly liberated people now in a democratic society with a Capitalist economy. At present, Mongolia continues to suffer from an economy dominated for 70+ years by the Soviet Union. Unless the newly elected Democratic coalition can begin to show some economic success, it is possible, no probable, that the people will become disillusioned with the attempt at Capitalism and revert to the Socialistic ways of the past. Although you and I know this will never work, the vote for a return to this devastating economic approach would come from a people desperate for stability in an environment currently in turmoil.

Mongols know they must suffer through many changes in a Socialistic economy going to a Capitalistic economy with the freedoms and opportunities therein. The people are stoically attempting to do so. In our opinion, the granting of MFN status would give their current attempts a signal that we are concerned, and appreciate the many strides they have taken toward true freedom.

Sincerely,

JON MOSTROM
Director of Humanitarian Aid

ASIA-PACIFIC COUNCIL OF
AMERICAN CHAMBERS OF COMMERCE
July 11, 1997

The Honorable Philip M. Crane
Chairman, Trade Subcommittee
US House of Representatives
233 Cannon House Office Building
Washington, DC 20515

RE: MFN for Laos and Mongolia

DEAR MR. CHAIRMAN:

The Asia-Pacific Council of American Chambers of Commerce (APCAC) membership includes the individual American Chambers of Commerce in the region. Combined, they represent more than 40,000 business leaders and 6,500 companies in the world's most dynamic region.

APCAC strongly supports the principle of free and fair trade in the region and has been an advocate for the extension of MFN trading status to China, Vietnam, and other countries in the region. We have done so because MFN represents the "normal trading relationship" between countries and advances the interests of the American business community in promoting the expansion of trade and investment worldwide.

Although the presence of American business in Laos and Mongolia is now limited, we believe that extension of MFN status to these countries is desirable. Not only will it be consistent with the principle of promoting trade through the establishment of normal trading relations, it will also serve to encourage US companies to establish themselves in Asian markets.

For these reasons, we welcome your support and that of your subcommittee in extending MFN treatment to both Laos and Mongolia.

Sincerely,

KEN RICHESON
Chairman

CATERPILLAR INC.
July 11, 1997

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

DEAR REPRESENTATIVE CRANE:

I am writing to advise you of Caterpillar Inc.'s support for extension of unconditional most-favored-nation (MFN) treatment for Mongolia.

A positive U.S. trade relationship with Mongolia is important to Caterpillar. Our sales in that country include U.S. exports involved in construction, mining, and power generation. Our business will continue to grow with the market, which certainly would be hurt without extension of U.S. MFN.

Caterpillar previously provided direct sales and product support in Mongolia and maintained an office, parts and service tool warehouse, and service facility to support the growing fleet of our machines and engines there. In 1996 we assigned an independent dealership, which is affiliated with one of our most successful U.S. dealers, to represent us in Mongolia. Caterpillar's worldwide network of dealers is the backbone of our distribution and product support system, and our assigning an independent dealer in Mongolia marked our recognition of the growing importance of this market.

Caterpillar products are doing work that helps improve the standard of living in Mongolia. Further contributions are made not only through employment opportunities provided by our dealer, but also through training programs that enhance the skills of dealer people and customers alike. At the same time, our exports to Mongolia support jobs in this country. This win-win relationship, we believe, can continue to grow if the United States extends unconditional most-favored-nation treatment to Mongolia.

Sincerely,

S. R. RAMSEYER
Vice President

vy/le

FORTE CASHMERE COMPANY, INC.
July 8, 1997

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade of the
Committee on Ways and Means
U.S. House of Representatives
Washington, DC

DEAR REPRESENTATIVE CRANE,

I am responding to the request for written comments on the extension of unconditional most-favored-nation treatment to Mongolia. I understand that on September 4, 1996, President Clinton found Mongolia to be in full compliance with the requirements contained in the Jackson-Vanik amendment. As a businessman who has done business with Mongolia since the 1970's, I can say first hand that I have witnessed the ongoing transition from the communist system to a country with a growing democracy and a market oriented economy. We are partners in a privately owned joint venture factory in Mongolia and I can honestly say the Mongolian Government has demonstrated a strong desire to cooperate with U.S. companies seeking to do business there. I believe that granting unconditional MFN status to Mongolia will strengthen the ties between the Mongolian and the U.S. and will also allow U.S. companies to avail themselves of the protections provided under the rules of GATT and the WTO.

I appreciate your consideration of our views and if you or any member of the committee or your staff would like to discuss this issue further, I will be happy to do so.

Sincerely

JAMES COLEMAN
President

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–6649
June 19, 1997
No. TR–9

Crane Announces Request for Written Comments on the Extension of Unconditional Most-Favored-Nation Treatment to Laos

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee is requesting written public comment for the record from all parties interested in the extension of unconditional most-favored-nation (MFN) treatment to the products of Laos.

BACKGROUND:

At present, Laos is listed in general note 3(b) of the Harmonized Tariff Schedule (HTS) among those countries that are denied MFN tariff treatment. As a result, Laotian products are subject to the higher tariff rates in column 2 of the HTS, generally as enacted by the Tariff Act of 1930. Legislation is required in order for MFN tariff treatment to be extended to the products of Laos.

In 1996, U.S. imports from Laos were valued at $16,317,000 while U.S. exports to Laos totaled $3,380,000. Currently, the Administration is negotiating a bilateral trade agreement with Laos for the purpose of gaining reciprocal market access.

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ASIA-PACIFIC COUNCIL OF
AMERICAN CHAMBERS OF COMMERCE
July 11, 1997

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RE: MFN for Laos and Mongolia

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Although the presence of American business in Laos and Mongolia is now limited, we believe that extension of MFN status to these countries is desirable. Not only will it be consistent with the principle of promoting trade through the establishment of normal trading relations, it will also serve to encourage US companies to establish themselves in Asian markets.

For these reasons, we welcome your support and that of your subcommittee in extending MFN treatment to both Laos and Mongolia.

Sincerely,

KEN RICHESON
Chairman

Statement of Jacquelyn Chagnon and Roger Rumpf

MFN FOR THE LAO PDR

Recommendations for approval for MFN to Lao PDR because it would:
- Help Transition Economy to a Free Market Economy
- Foster the Building of a Democratic Nation State
- Benefit Women and Minorities
- Increase Trade Markets which Relieve Poverty and Reduce Aid

As Americans who have lived and worked in the Lao PDR for ten years, we appreciate this opportunity to comment on the Extension of Unconditional Most-Favored-Nation Treatment to the Lao PDR. The following points come out of our experience as International Development Specialists, mostly in the Lao PDR. In that capacity we have followed Lao social and economic development while working for the World Bank, UNICEF, the UN Development Program, the Asian Development Bank, and numerous private voluntary agencies. However, these remarks are our personal opinions, not those of the above institutions.

THE TRANSITION TO A FREE MARKET ECONOMY

Since our first encounter in the Lao PDR in 1978, we have witnessed an exciting transition from a centralized closed economy to a decentralized free market one. Commendably, the country has made peaceful change, while increasing its annual growth rates, which recently average around 7 percent.

Nevertheless, as pointed out by numerous respected international institutions,[1] this transition towards an open market system has brought to the surface many critical needs. As industry began to develop in the early 1990's, the Lao PDR had to create for the first time labor, investment and property laws and their enforcement mechanisms. Furthermore, as the government downsized its civil service, it faced rising unemployment and underemployment problems, especially among youth. To address this, the Lao Government last year called upon their ministries and international assistance agencies to find viable solutions which would link education, vocational training and the job market.

It is now clear that the current Lao Government, led by a Communist Party, is striving to create a viable, growth-oriented free market economy. As such, it behooves the US to facilitate that approach by offering MFN status to them. To do otherwise contradicts the very underpinnings of free market philosophy to which we aspire. In other words, it makes common sense.

BUILDING A DEMOCRATIC NATION STATE

The transition to a free market economy is slowly loosening government controls, encouraging popular demands, and promoting democractic processes. Unlike dictatorships and oligarchies, the Lao Government has shown itself to be flexible and receptive to suggestions of change. Furthermore, it has moved rather quickly to develop appropriate mechanisms to facilitate free market developments. It has set forth its Constitution and a host of laws. It has also begun the arduous tasks of creating enforcement and jurisprudence systems to protect citizens' rights.[2]

This is not to say that the course of building a nation and developing a free market economy has been flawless or easy. In many ways, the problems faced by the Lao PDR ressemble those of our nation in its early formation: broadening avenues for foreign trade; introducing industrialization into an agrarian society; unifying and stabilizing its financial instruments; transforming an unskilled, poorly educated populace into a skilled, marketable labor force; establishing and enforcing new systems of jurisprudence; and developing costly communication and transportation links over rough and sparsely populated terrain. Such efforts succeed only after much trial and error, as our own history taught us.

It is here that the US can emphasize that with the privilege of MFN status comes the responsibility to enhance democratic processes, protect human rights and the environment, and an establish ethnical business atmosphere. If the Lao PDR fails to maintain those standards, the US will have the right to mention infractions to the Lao PDR, and if necessary suspend the privilege. At this time, we have littler diplomatic leverage to speak about such matters.

[1] World Bank, 1995. Lao PDR Social Development Assessment and Strategy, Washington. Also, Asian Development Bank, 1996. Country Operational Strategy Study for the Lao People's Democratic Republic, Manila. United Nations Development Program 1995. Development Cooperation, Vientiane.

[2] Ibid.

For example, if in the future labor rights in the Lao PDR are not being protected, despite legal mandates, the US Government will be able to urge corrections. Our assumption is that the Lao PDR will likely take serious note of US concerns as it desires strongly MFN status. In such a case, the US Government, labor unions and non-governmental agencies could also offer assistance to the Lao Government with its development of ethnical business practices and labor protection mechanisms. Without the MFN privilege, the Lao Government would take less heed of such comments.

MFN BENEFITS WOMEN AND MINORITIES

Usually, we associate MFN privileges with large industrial operations. However, in the Lao PDR, where skilled labor is still limited and much of the economy remains at the informal rural level, women and minorities have much to gain from the opening up of trade to the US.

Women in the Lao PDR make up the largest segment of rural-to-urban traders and informal and formal business entrepreneurs.[3] They are labelled the "economists of the family." There are numerous accounts of where village women, especially among the minorities (Hmong, Thai Dam, Thai Deng, Leu and Khmu) have boosted their family's income by selling their highly-prized crafts, such hand-woven textiles, baskets, silver jewelry and applique quilts. Many of these articles find their way to US markets, through informal channels set up largely by the Lao refugee community.[4] If these talented, poor women can access the US formal trade market, which MFN will surely stimulate, they could raise their family's annual earnings substantially.

In the Lao PDR, that means a family could raise its income above the average of $350 per annum enough so that it can send children to school, get assess to medical assistance and and improve its housing. Here, MFN could promote the build-up of the middle class, a cornerstone for the development of democracy and free enterprise, which our government espouses. At the same time, it could convert what is largely an underground market into a legitimate full-scale formal trading between two nations.

Besides raising incomes, there is an added bonus to opening US trade markets for women. Most minority women are the planters of opium, but not always the direct beneficiaries of their labors. Our personal research has found that most of the female opium growers would prefer to grow other crops (fruit, peanuts, corn, potatoes) or make their unique appliqued textiles, which fetch a handsome price in the US.[5] If lucrative US markets were more easily available, these women would likely forsake their laborious opium growing tasks for other income-generating ventures. MFN would clearly complement the crop substitution efforts of the US Drug Enforcement Agency program in the Lao PDR.

INCREASED TRADE MARKETS CAN RELIEVE POVERTY AND REDUCE AID

Many conservatives argue that increased trade opportunities rather than aid handouts will benefit the poorest nations, and thereby relieve poverty. From our experience, that is a reasonable argument if the government involved protects human rights, opens credit and capital access equitably, and provides equal education and medical care to all.

Using that context, MFN status for the Lao PDR fits well into both conservative and liberal thinking. By opening up trade markets with the US, production, both formal and informal, are scaled up, and opportunities for jobs increase. At the same time, MFN's annual review can insure that humans rights and equal opportunity are maintain for all.

The Lao PDR is one of the poorest of the poor nations. Yet, if it uses its natural resources well, its potentials for development and growth, especially since its reforms in the late 1980's, seem good. Manufacturing in Lao PDR is already absorbing the growing numbers of off-farm laborers, especially among the young. A small amount of trade with the US in textiles, gems, jewelry, wood furniture, and maybe oil or gas, could eventually reduce the Lao PDR's need for international assistance.

In conclusion, we believe it is in the mutual interest of both the Lao PDR and the United States for the latter to extend MFN to the former.

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[3] UNICEF, 1996. Children and their Families in the Lao People's Democratic Republic, Vientiane.

[4] Cha, Dia and Jacquelyn Chagnon, 1993. 'Farmer, War-wife, Refugee, Repatriate: A Needs Assessment of Women Repatriating to the Lao PDR', Washington.

[5] Ibid. See also UNICEF, op cit.

[BY PERMISSION OF THE CHAIRMAN]

Statement of H.E. Hiem PHOMMACHANH, Ambassador of the Lao People's Democratic Republic to the United States of America, Canada and Mexico

On behalf of the Government and the people of the Lao People's Democratic Republic, I would like to express appreciation at being given the opportunity to submit comments to the U.S. House of Representatives Ways and Means Subcommittee on Trade regarding the extension of unconditional Most-Favored-Nation (MFN) status to Laos. We applaud the efforts of the United States to actively engage a relationship with Laos on a political and trade related basis. We are a nation that has struggled many years remaining one of the world's poorest countries, but a nation that is proud of its accomplishments and its plans for further achievements in the near future.

The Lao PDR has set on a course to become a member of the international community. We have undertaken reforms and changes to move toward a market oriented society, to an educated populace, to an empowered citizenry, and to elevate the economic status of all Laotians. Our commitment to reaching our reform goals is evidenced by the recent enactment of our Constitution, establishing a New Economic Mechanism, developing, approving and implementing Socioeconomic plans, updating our systems and bringing them into conformity with requirements to join the Association of Southeast Asian Nations (ASEAN) and in actively negotiating with the United States to establish an agreement on trade based on the principal of reciprocal MFN trading status.

All these changes are moving the Lao PDR in the desired direction. However, we believe it is essential that the global community recognize our efforts and assist us in becoming a more market oriented society. We believe the granting of MFN status to the Lao PDR by the United States is fundamental to further economic development and investment in Laos. Such trading status would encourage industrial development in our country and provide confidence to businesses in Laos.

In order to provide you with confidence in the changes occurring in the Lao PDR and to support your decision to extend unconditional MFN status to Laos, I am including a brief overview of the most recent achievements of the Government of the Lao PDR in this statement.

In 1986, the Fourth Party Congress adopted a package of reforms intended to transform its economic management from a central command system to one which is market-based and characterized by decentralized economic decision making, with the private sector playing an active role. The new economic management system emerging from the implementation of the economic reform package is referred to as the New Economic Mechanism (NEM) in the Lao People's Democratic Republic (PDR). Adoption of the NEM was confirmed by the Fifth Party Congress in 1991. Under the NEM, we have drastically reduced inflation, rationalized and stabilized the exchange rate, committed to privatize or make autonomous all the state owned enterprises except for those located in "strategic sectors," eliminated consumption subsidies for public sector employees and have reformed the banking system. One example of our success is in the stabilization of the Lao kip vis-a-vis the U.S. dollar.

The Constitution of the Lao PDR, adopted in August 1991, provides for the separation of legislative, executive and judicial powers. The people, with whom the political power ultimately resides according to the Constitution, exercise such power through an elected National Assembly. The members of the National Assembly were first directly elected by the people in December 1992 for a five-year term which began in 1993. Many human rights are also guaranteed in our Constitution

The Lao PDR government has also restructured. This restructuring has affected the administrative arrangements for economic, financial and development management. Part of this reorganization resulted in the creation of the Committee for Planning and Cooperation (CPC) which, according to Prime Minister Decree No. 132 (issued August 30, 1993), is a high level Central Supervisory Council and also serves as the chief of staff for the Central Committee and the Government for the coordination, research, implementation and supervision of work on socioeconomic development, international cooperation and foreign investment. In February 1993, at the first session of the National Assembly, a framework outlining the country's development planning up to the year 2000 was presented. The actual plan was completed approximately two years later.

These plans set forth the goals and objectives of the Government of the Lao PDR on an annual basis. Part of our success can be measured by examining the results of the plan as implemented for the 1995–1996 period.

During the 1995–1996 year, the GDP increased an estimated 7.5% compared with 1994–1995 period. The plan as approved and implemented by the Government had projected an increase in GDP of 7–8%. The population in mid-1996 totaled approximately 4.729 million (an increase of 2.4% compared with 1995) and the average GDP per capita was about US$ 370/person. In the first 6 months of 1996, 24 foreign investment projects were licensed at a registered capital of approximately US$ 1.200 million, of which 72.2% was invested in hydropower projects, 8.5% in hotel-tourism, 6.6% in telecommunication and transport, 4.4% in mining and 8.3% in other sectors.

During 1995–1996, the provinces selected their respective priority areas and detailed development projects, totaling 63 focal areas in this year. Currently, over 800 projects are presently under implementation. Among such projects, over 70% are focusing on the development of infrastructure and 30% invest in the re-orientation of the population shifting from cultivation. As we move from an agrarian society to a market-oriented society we must provide training and skills to our people in order for them to benefit from the changing society.

On a regional basis, as outlined in the initial five year plan for each region, several projects have been implemented which include: major road improvement and construction projects, irrigation projects, hydropower projects, wood processing plants and other infrastructure development projects, which has allowed the regional economic structures to take form along the direction of linkage between agriculture-forestry, processing industry and services.

The value of circulated retail goods has increased approximately 27%. External trade still suffers from a high deficit, however, a portion of this is due to imported machinery and equipment for foreign investment projects. Such a deficit may impact on our financial-monetary stability in the near future, but will be beneficial in the long term for the establishment of firm national economic base.

The 1995–1996 plan emphasized education. During this period education has been further improved in terms of quality, namely in formal education, which has increased the rate of enrollment among the children of 6–10 years age group at the primary level by 73%. Illiteracy was eradicated for 17,358 persons—of which 9,533 were women in the 15–40 year-old age group. Non-formal education such as providing vocational training was introduced in combination with illiteracy eradication.

During the 1995–1996 period, significant achievements and success were accomplished, however, there are still some weaknesses and pending issues in certain areas which must be addressed. Laos is therefore committed to following the socioeconomic plans as originally set forth through the year 2000.

Most recently, the Government of Laos has undertaken and adopted the "1996–1997 Socioeconomic Development Plan" to help build up our people and to actively participate in the global trading market. General tasks in the 1996–97 annual plans include the initial development of the Fifth Party Congress Resolution and implementation of the 5 year state plan, by: further ensuring consistent socioeconomic growth; widely expanding economic structures and market-oriented production; further upgrading the quality of material and cultural life for civil servants and the pluri-ethnic people; establishing a firm position and base to progress into the 21st century and national industrialization and modernization after the year 2000.

To achieve the tasks and general guidelines the Government has outlined a number of 1996–1997 plan's targets as follows:

- Actively ensure financial-monetary stability by firmly promoting revenues and strictly managing expenditures.
- Actively manage import-export and circulation of goods.
- Firmly promote training, create a professional labor force, technical workers for supply to major programs in socioeconomic development and strive to create new employment for the Lao labor.

SECTORAL DEVELOPMENT PLANS:

Food

Food production must be firmly improved and ensured for poor families, namely in remote ethnic areas. The main emphasis will be placed on further implementing the priority programs of the Government which are: food production, commercial production and shifting cultivation stabilization.

Communication, Transport, Post and Construction

In 1996–1997, the Lao PDR pans call for the further improvement and building of national roads to the North of the country. Preparation will be made for the construction of strategic bridges and roads to create a strong communications network. We also plan to continue to build the navigation route, namely in the northern section of the country to meet acceptable standards of the international community. We will improve and build ports to accelerate transport services. Additionally, we will upgrade and improve air transport services to meet international standards. Our plan calls for the development of cargo and passenger air transport to neighboring and regional countries.

The 1996–1997 State Planning Committee plan also calls for:

• Further improvement to guarantee and accelerate postal services—both local and outgoing. At the same time, concentrate on expanding postal network at the district level and in priority socioeconomic areas, expanding telephone centers and continuing to install the microwave system according to adopted plans.

• Bring solutions to sewerage systems, roads and construction in Vientiane Municipality and other main urban areas in view of progressively meeting the standards. In 1996–1997, the state will make a total investment of Kip 89.47 billion in the sector of communication, transport, post and construction, of which Kip 23.55 billion of domestic funds and Kip 65.92 billion of foreign funds.

Trade

The Lao PDR plans to increase the supply of basic necessary consumption goods to the population. We are also preparing for accession to the ASEAN and eventually to the World Trade Organization (WTO). We also plan to improve our cooperation mechanisms with trading partners. For example, as previously mentioned, negotiating bilateral agreements with key global trading entities such as the trade agreement currently being negotiated between the United States and the Lao PDR.

Socio-cultural sector

In the 1996–1997 year, further emphasis will be placed in three main areas: (1) on compulsory primary education to increase the primary school enrollment by 5% and net enrollment by 75%; (2) on the eradication of illiteracy among 60 thousand people within the target group (15–40 years of age); (3) on upgrading educational attainment at the primary level for 30,000 people and to lower secondary level for 7,000 civil servants, and to upper secondary level for 2,000 persons.

Information and culture

Our plans include the continued improvement and upgrading of quality in radio broadcast, television, press and newspapers, magazines to ensure a coverage of 100% throughout the country.

Labor and social welfare

As the Lao PDR moves toward a more market-oriented economy we must improve the salary system, pension, policies towards public and private employees and improve the social security system in the Lao PDR. We plan to build housing for handicapped persons and a number of civil servants.

In general, during the 1996–1997 socioeconomic plan we will strive to elevate the standard of living for our people, to open our economy, to become a global competitor, and to expand our efforts at becoming a market-oriented society. We will increase cooperation with ASEAN countries in view of preparing for membership and continue to cooperate with international organizations and international financial institutions.

The challenges we face are not too great to be overcome and conquered. Our plans included many opportunities for American businesses. We rely on those who have gone before us in developing a sound economy in the global environment. We look to the United States for its assistance not only through monetary contributions and training, but through the granting of MFN status to the Lao PDR. Such status will enable us to represent our country on an even playing field with all of the U.S. trading partners except for five other countries. Our economic reforms and success will become a model for other nations in the region to emulate. The action of granting unconditional MFN to Laos will send a message to the people of Laos that the United States supports them in their endeavors to become a strong nation. It will put Laos on an even playing field with the rest of the world vis-a-vis trade with the United States. The active engagement of the Lao PDR will encourage the move toward a market-oriented economy. We believe that Laos is on the right path. We also believe that the United States should treat Laos with the same trading privileges it grants to almost all other nations. On behalf of my government and its people, I strongly encourage the U.S. Congress to expeditiously seek the granting of unconditional MFN to the Lao PDR.

Washington, DC., July 11, 1997

Hiem Phommachanh
Ambassador

NATIONAL LEAGUE OF FAMILIES OF AMERICAN PRISONERS AND MISSING IN SOUTHEAST ASIA

June 27, 1997

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
1104 Longworth Building
Washington, DC 20515

DEAR MR. CHAIRMAN:

I noted with interest that you have tabled the legislation regarding granting MFN to Laos, requesting comment from interested parties. The League's members have, perhaps, the greatest personal interest of any Americans in the economic and political relationship between the United States and Laos. As you know, we have sought and continue to seek the fullest possible accounting for the 455 Americans still missing in Laos from the Vietnam War.

A League delegation in which I participated recently returned from a trip to Vietnam, Laos, and Cambodia. In Laos, we met with the Deputy Prime Minister, the Minister and Vice Minister of Foreign Affairs, and the Vice Ministers of Defense and Interior. In our view, the Lao Government is working hard within its limited capacity to support joint field operations. In relative terms, accounting results are greater from joint operations in Laos than in Vietnam.

We urged Lao officials to develop a means of generating information through a viable oral history program and to locate and provide records, though believed by the U.S. to be limited in number and scope. The Lao need to work diligently to address these areas from which answers that would help account for our missing relatives are likely. We are pleased that U.S. Ambassador to Laos Wendy Chamberlin is actively engaged and encouraging Lao officials to pursue solutions to these more difficult and sensitive areas.

The League has long been on record in support of further economic steps with the Lao, including MFN. We were also out front in supporting the upgrade to full Ambassador some years ago. Although there is room for improvement, U.S. efforts in Laos are encouraging.

On the contrary, we oppose MFN for Vietnam until there is clear evidence that the Politburo has made the decision to re by the U.S. to be available.

I have enclosed a copy of my testimony before the International Relations Committee's Subcommittee on Asian and Pacific Affairs, chaired by Representative Doug Bereuter on June 18th. It provides clearly stated reasons why the League has objected to the Clinton's Administration's rationale for each political and economic step taken to improve relations with Vietnam. In principle, we do not oppose improved political relations; however, we know that President Clinton and the bureaucracy which serves him has not used available leverage to achieve the stated priority objective of the fullest possible accounting for America's POW/MIAs.

In view of your own long history with this issue, I was confident that you would appreciate receiving the League's views. As you proceed with deliberations on these questions, I hope that you will call if you have need for clarification. If you decide that a hearing is needed, I would be pleased to provide testimony regarding the League's positions on MFN for Laos and Vietnam.

Best wishes to you, Arlene and your family.

Respectfully,

ANN MILLS GRIFFITHS
Executive Director

Congressman Philip M. Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
c/o A.L. Singleton
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Subject: Extension of Unconditional Most-Favored Nation Treatment for Laos

DEAR CONGRESSMAN CRANE AND MEMBERS OF THE SUBCOMMITTEE:

I am writing in support of extending unconditional most-favored nation (MFN) treatment to the products of Laos.

I served as Resident Legal Advisor for the Harvard Law School/World Bank/UNDP Law Reform Project in Laos between January, 1991 and June, 1992. The significant efforts on the part of many talented and dedicated Lao officials that I witnessed during my stay are strong arguments in favor of our government's extension of MFN treatment. During my eighteen-month assignment, our project worked closely with members of the Lao executive, judicial and legislative branches of government. The project worked under the supervision of the Lao government's New Mechanism Committee which, beginning in 1986, took significant measures to decentralize control of the economy. The Committee's goals included deregulation of the price system, free market exchange rate policy, state-enterprise self financing, increased freedom for the private sector; trade liberalization and tax and banking reform. In an effort to reach these goals, the Lao government instituted an impressive number of laws and decrees designed to begin developing a commercial legal system. For example, the (then) Supreme People's Assembly in 1988 enacted a foreign investment law. Over the next two years, Laos adopted a number of new laws dealing with: e.g., Contracts, Inheritance, Banks, Accounting, Civil Procedure and Property. Also, in November, 1989 and June, 1990 the Assembly President made official declarations of the country's need to strengthen its legal system.

The level of discourse about the role of law was significantly raised by the diligent efforts of many Lao jurists during the early years of the project's activities: Approximately fifteen Lao jurists participated in foreign training missions to the United States; the government's arbitration/mediation authority received support from both the project and the Asia Foundation and successfully mediated more than fifty disputes. Even more significantly, the Lao government adopted a new constitution in August, 1991, which was the first constitution to be adopted since 1975. The constitution clearly established the supremacy of law in Laos, meaning that all private citizens, and government officials must act pursuant to the law. The particular sources and categories of laws, decrees and regulations were also clarified in the 1991 constitution. The Supreme People's Assembly was renamed the "National Assembly" and was vested with the power to make law and supervise the effective implementation of the constitution.

Laos is a small country in what has been a difficult part of the world. Its leaders have worked hard to avoid the more extreme tragedy and suffering experienced by its neighbors. That they have managed their economy, politics and neighborly relationships with such care, and emerged with an increasing emphasis on law, warrants our respect. The unconditional extension of most favored nation treatment would be a good indication that we are sensitive to their efforts.

Very Truly Yours,

THEODORE PARNALL
Professor of Law
University of New Mexico

Comments from the U.S.–ASEAN Business Council pertaining to MFN status for the Lao Peoples' Democratic Republic

The Lao Peoples' Democratic Republic began its economic liberalization program in 1986 which over the last decade has included simplifying its tariff structure, allowing the national currency to float, and establishing a foreign investment management committee. In addition, the country has taken steps toward political opening by adopting a new constitution in 1991 and establishing a national assembly in 1992 to which several non-party representatives have been elected.

In 1995, the country enjoyed GDP growth of 7.5 percent, although more than half of the population is still considered below the poverty line. The industrial sector of the country is performing most strongly, expanding over 11 percent. Expansion is concentrated in garment manufacturing, light industry, and handicrafts. The Lao economy has benefited from the migration of low-skill manufacturing jobs from neighboring Thailand and from South Korea. Approximately 90 percent of the 600 state-owned enterprises in Laos have been privatized. Lao issued an IPR protection law in 1995

Although still low compared to its neighbors, the level of Lao trade has increased steadily over the last few years. In 1995, the country's exports totaled $348 million with almost 80 percent of that amount comprised of electricity sales. During the same year, Laos imported $587 million.

U.S.-Lao Relations

In recent years, the United States and the Lao Peoples' Democratic Republic have worked hard to build a mutually beneficial relationship. In addition to strong cooperation on POW/MIA issues and anti-drug trafficking exercises, the government of Laos has been forthcoming in the ongoing bilateral trade agreement negotiations with the United States. It has taken major steps to open the country's economy to foreign trade and investment and has been making the necessary economic changes to prepare for its admission to ASEAN. The Lao PDR signed an agreement with the U.S. Overseas Private Investment Corporation in 1995.

In return, Laos seeks normal trading relations with the United States. Extension of MFN status would enable Laos to better develop its economy and strengthen the liberalization taking place. In addition, the granting of MFN status for Laos would signal the United States' continuing interest in the ASEAN grouping. Once Laos joins ASEAN, it will be part of a regional grouping with 500 million people, a $1 trillion GDP and two way trade with the US over $250 billion by the year 2000.

Currently, U.S.-Lao trade is at a relatively low level, with less than $20 million in U.S. exports and imports to and from the country in 1996 combined. Granting of MFN status would support expansion of such trade and would likely encourage others to take a closer look at ASEAN's newest member. Because the country is at such a different level of economic development than the United States, few U.S. industries would be immediately affected by the move. Conversely, as Laos becomes integrated with its regional neighbors, the country will provide a strong market for U.S. goods. MFN status for Laos will likely also contribute to higher standards of living for the Lao people. In short, the granting Laos MFN status would be a win-win situation for all concerned.

The U.S.–ASEAN Business Council fully supports the granting of MFN status to the Lao PDR and will work to promote further normalization of commercial relations between our two countries.

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