

IMF leader visits Laos



Christine Lagarde.

Somsack Pongkhao

Christine Lagarde is Managing Director of the International Monetary Fund. She is paying her first visit to Laos and planning to meet several high-ranking officials here. She arrived in Vientiane yesterday and will meet senior Lao officials on Tuesday to discuss cooperation between IMF and Laos. *Vientiane Times* interviews her about the purposes of her visit as well as her perspectives on the global economy and how it impacts Laos.

Q. Can you tell us about the main aim of your visit to Laos and what core topics you plan to discuss? What do you expect to accomplish from your visit?

A. Let me first say how pleased I am to visit your beautiful country for the first time! I very much look forward to enjoying the history and culture of Laos. You have experienced rapid economic growth and development over the past decade and halved poverty by 2015 – a very important Millennium Development Goal. Laos should build on this important achievement and continue to support an economy that creates jobs and opportunities for all. I will reaffirm the IMF's support when I meet with President Choummaly Sayasone, Deputy Prime Minister Thongloun Sisoulith, and other officials.

Q. We understand that this is your first visit to Laos which takes place while the nation is preparing to host the Asean Summit later this year. How do you see Laos' role in Asean economic integration?

A. Laos' role as Chair of Asean is recognition that the country plays an important role in the region. Laos is strategically located with close cultural and economic ties to its neighbours. Looking forward, Laos will need to make strategic and targeted investments in infrastructure and also concentrate on education and other social services so it can better integrate its population into higher value-added economic activities and diversify its trade and investment relations with other countries in the region. This is essential as the Asean Economic Community comes to fruition.

Q. The global economy is currently sluggish overall. Laos is no exception. What is the outlook for the global economy?

A. In recent months, economic prospects for advanced and emerging markets have become more challenging as global growth has been weakening. The economic recovery in the United States and the euro area is progressing but remains relatively slow and uneven. Meanwhile, China's transition to a more balanced growth path has led to a slowdown in growth that has also had an impact on the global economic environment. Finally, the prospect of higher US interest rates and the appreciation of the US dollar have had an effect on emerging market growth and global demand.

Asia and Asean countries are not immune to these developments and will be affected by

global growth slowing and China rebalancing. However, Asia, and in particular China, India and Asean countries, continue to be the strongest contributors to global growth, since their economies continue to be dynamic. So they are a bright spot in the world economy.

Q. What is your understanding of the structure of the Lao economy and how it generates job opportunities for local people?

A. The Lao economy has made impressive gains in the last 10 years thanks to key investments in strategic economic sectors, including hydropower and mining, and the development of important services such as banking and transportation. These have helped the economy grow at an impressive rate and develop social services that have helped improve the welfare of a large part of the population.

However, there continue to be important challenges. For example, a large part of the population lives in rural areas, where economic productivity is still low. As I mentioned earlier, investments in infrastructure and social services, particularly education and health, are necessary to bring more people into more productive economic activities, and thus raise their standard of living.

Q. What are the IMF's growth forecasts for the Lao economy over the next four or five years?

A. Despite greater global uncertainty, we expect Laos to continue growing at around 7 percent over the next few years, making it one of the fastest growing economies in the world. However, risks to the world economy could impact Laos.

First, global growth could continue to slow down, and this would affect demand for Laos' exports. Second, the rebalancing of the Chinese economy might create more turbulence. We see the transition that China is going through as necessary, and it will make the Chinese economy and the world economy stronger in the long run. But on the way, there may be some bumps that could affect the region. A third risk might be a further tightening of global financial conditions, which could also lead to a slowdown in regional growth that could affect Laos.

Q. What are your perceptions of the advantages and disadvantages of doing business in Laos?

A. Laos is located within one of the fastest growing regions of the global economy and is increasingly integrating into the regional economy through cross-border investments and exports. It also has a relatively young and dynamic population. This means there are tremendous opportunities for businesses to share and participate in the benefits of Laos' growth going forward.

Laos has also upgraded its institutional infrastructure as a result of joining the WTO in 2013, and as a full member of the Asean Economic Community. If Laos can concentrate on improving the business environment, the country would be more competitive and able to integrate with its regional partners in Asean more effectively.

Q. How can the IMF help in order to further sustain economic growth?

A. We share the same goal -- to achieve macroeconomic stability, keep the economy on a path that leads to high and more inclusive growth, and to meet the objective of graduating Laos from low-income country status by 2020. Laos has grown rapidly over the last 10 years, by 8 percent on average, which is an impressive record. And the government has managed to maintain solid macroeconomic stability. However, for this to continue in a sustainable way, the government needs to address fiscal and external vulnerabilities, since the economy can be affected by external shocks and fluctuations in commodity prices.

In our view, to reduce fiscal and external risks, the policy framework should aim to maintain a gradual fiscal consolidation, accumulate international reserves, and continue to ensure the banking system is secure. The IMF remains committed to maintaining a close policy dialogue with the government and to help the people of Laos, through technical assistance and policy advice.