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Abbreviations

AEC – ASEAN Economic Community
ASEAN - Association of Southeast Asian Nations
ASYCUDA – Automated System for Customs Data
BCEL - Banque Pour le Commerce Exterieur du Laos
BDS - Business Development Services
BOL - Bank of the Lao PDR
CPMI - Committee for Promotion and Management of Investment
ECCIL – European Chamber of Commerce and Industry in the Lao PDR
EDL – Electricité du Laos
FDI – Foreign Direct Investment
GDP – Gross Domestic Product
GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit
GoL – Government of the Lao PDR
GSP - General Special Preference
IMF – International Monetary Fund
IPD - Investment Promotion Department
KfW – Kreditanstalt für Wiederaufbau
LDB - Lao Development Bank
LFNC - Lao Front for National Construction
LNCCI - Lao National Chamber of Commerce and Industry
LPRP - Lao People's Revolutionary Party
LSEC - Lao Securities Exchange Commission
LSX - Lao Security Exchange
MoIC - Ministry of Industry and Commerce
MPI - Ministry for Planning and Investment
NA – National Assembly
NAST – National Authority for Science and Technology
NCSEZ - Lao National Committee for Special Economic Zone
NEM – New Economic Mechanism
NGO – Non-Governmental organisation
NPS – National Payment System
OEDR - Office of Economic Dispute Resolution
OSU - One-Stop Service Unit
SEZ – Special Economic Zone
SME – Small and Medium Enterprises
SOCB - State-Owned Commercial Bank
VAT – Value Added Tax
WTO – World Trade Organisation

Foreword

Dear Readers,
Our goal in compiling this investment guide is to deliver a comprehensive overview for those considering a move into the market – offering an understanding of the Lao identity in cultural as well as in business terms.

The Lao PDR, or Laos, is populated by roughly 6.5 million inhabitants and has shown robust growth of an average 7% per annum over the past ten years. The economy has proven remarkably resilient against international economic and financial crises. Since beginning its move towards a market-oriented economy in 1986, Laos has attracted a growing number of investors, especially in the mining, hydropower, tourism and garment sectors: foreign direct investment rose from US$25 million in 2002 to more than a billion US dollars in 2011, and to more than US$2 billion in 2014.

This 'landlinked' country has been pursuing a steady path of integration into the world economy, marked by its admission to the Association of Southeast Asian Nations in 1997, and most recently by its accession to the World Trade Organisation in early 2013. The accession process has helped pave the way for attaining the United Nations Millennium Development Goals by 2015 and for graduating from Least Developed Country status by 2020.

We believe that Laos offers plenty of investment opportunities, in sectors that have traditionally been strong contributors to the country's growth as well as in niche sectors that have not been developed (or maybe even discovered) yet. The IMF estimates that GDP grew by 7.3% in 2017, and sees Laos as one of the ten fastest growing economies in the world.

While the country's regulatory framework may prove challenging at times, we hope to deliver an insightful investment guide to accompany investment decision-making throughout the process, from first consideration of the Lao PDR all the way to drawing up a business plan for market-entry.

As change is a constant in the Lao business environment, we look forward to engaging with you in open dialogue and encourage you to share your experience with us along the way.

Sincerely,

Guy Apovy
President of the European Chamber of Commerce and Industry in the Lao PDR

Executive Summary

The Lao PDR is a dynamic developing economy with a stable political environment. Unlike in some least developed countries, the strong one-party system suggests that political turmoil is less likely to interfere with business operations. The country has embarked on a progressive path of economic reform to enable its integration into the world economy, as marked by its recent accession to the World Trade Organization (WTO). Laos is also part of the Association of Southeast Asian Nations (ASEAN) effort to create a single market by December 2015, the ASEAN Economic Community (AEC).

Doing business is not yet easy, but it is becoming easier. In the World Bank's Doing Business Report for 2016, Laos climbed three rungs from the previous year and is now positioned at 134 out of 189 ranked economies. The government is pursuing an investment-friendly strategy by developing one-stop services through the Investment Promotion Department, and starts the implementation of a National Single Window for moving trade goods through customs by 2016. Having become a member of the WTO, Laos has secured access to new dispute-settlement mechanisms in international trade. The country is also collecting more experience in international trade and relations, which may positively influence its regulatory framework in the long-run.

Laos's geostrategic position offers opportunities for international market connectivity. Laos is the only landlocked country in Southeast Asia – it connects China, Vietnam, Myanmar, Thailand and Cambodia – and is well integrated into the Greater Mekong Sub-Region by economic corridors. The country enjoys privileged access to the EU market under the "everything-but-arms" agreement. Connectivity is further increasing, with more regional and international flights becoming available.

Growth is backed by reliable infrastructure development: the electricity network has spread to cover most of the country and power outages are rare. The telecommunications system has also developed rapidly: telephone lines, mobile phone networks and the internet are readily available. As Laos was the second ASEAN country to launch a 4G network, the use of mobile internet is also spreading. While expansion of the road system and use of waterways face some geographic limitations, Laos is developing its land-links by opening new border checkpoints and moving forward with plans for a railway system.

Demand for suppliers is rising in various sectors: opportunities can be found in many fields including tourism, construction, civil engineering for infrastructure projects, power generation and equipment sales, mining and mining equipment, environmental technologies, agro-processing, logistics and the communications sector. The government offers special promotion schemes in all these sectors.

First-mover advantages can be found in numerous market niches. As the Lao economy grows, consumer needs are fuelling greater demand. This is especially true for human resources, with recruitment, development and retention posing a challenge. There is also a shortage of high quality business development services targeted at small and medium enterprises (SME). Lao exports to the EU could be higher as many products do not currently meet EU technical standards. Products and services that help close this gap can be great business opportunities.

Expatriates enjoy good living conditions in Laos. Many expats, especially in Vientiane, enjoy a safe environment, spacious housing at reasonable prices, a variety of sport activities, many dining options and the friendliness of the Lao people. Shortcomings in the healthcare sector are remedied by proximity to Thailand.

Country Profile

Table: Country Facts

Official name	Lao People's Democratic Republic – Lao PDR
Form of government	People's Democratic Republic, one-party system
Head of state	The President and General Secretary of the Lao People's Revolutionary Party (LPRP): Bounnhang Vorachith (since April 2016)
Chief executive	Prime Minister: Thongloun Sisoulith (since April 2016)
Vice President	Phankham Viphavanh (since April 2016)
Deputy Prime Ministers	Bounthong Chitmany (since 2016) Sonexay Siphandon (since 216) Somdy Duangdy (since 2016)
Economics portfolio	Khemmany Pholsena (Minister of Industry and Commerce), Souphanh Keomixay (Minister of Planning and Investment)
Languages	Lao (official language), English (commercial & official ASEAN language), French (still widely spread)
Literacy rate	79.86% (Male: 87.14%, Female: 72.81%) (UNESCO, 2015)
Measures	Metric system and local measures
Currency	Lao kip
Fiscal year	October 1st – September 30th
Time difference	CET +6 / CEST +5 / GMT +7
Land area	236,800 sq km
Population	6.5 million (Lao Statistic Bureau 2015)
Population density	27.5 inhabitants/sq km
Population growth	1.6% (UNESCO, 2015)
Religions	Buddhism (Theravada) 65%, ethnic religions (commonly animism) 31 %, Christians 2% (Population and Housing Census 2015)
Ethnic composition	49 ethnicities including Lao 55%, Khmou 11%, Hmong 8%, Akha, Lue, Tai, Lamed (Population Census 2005), also Chinese, Vietnamese and Cambodian

Capital	Vientiane 820,940
Other main cities	Savannakhet 969,697 , Champasack 694,023 Luang Prabang (Population and Housing Census 2015)
Important holidays	January 1st International New Year May 1st International Labour Day Mid-April Lao New Year (Pi Mai) December 2nd Lao National Day
Climate	Tropical: wet season, May–October; dry season, November–April
Corruption perceptions index	Ranked 139 out of 168 countries (Transparency International 2015)
Human development index	Ranked 141 out of 188 countries (UNDP 2015)

Map 0: Overview of the Lao PDR

Geography and People

The Lao PDR lies at the heart of Southeast Asia, bordering Cambodia, China, Myanmar, Thailand and Vietnam. The country covers about 236,800 square kilometres, with almost half the length of the Mekong River bordering or flowing through its territory. Mountains and forests dominate the landscape of the country which encompasses approximately 6.5 million inhabitants. The mountainous terrain and ample rainfall are the reasons for Laos's huge hydroelectric potential. Furthermore, the country offers a variety of natural resources such as copper, coal, hardwood timber, gypsum, tin, gold, gemstones and bauxite.

Laos is divided into 17 provinces and one prefecture, Vientiane Capital. The Vientiane Capital, located in the centre-west of the country, is the economic and political centre with its administrative area home to around a million people including 820,000 registered residents. About two-thirds of the Lao population live in rural areas, and while the country is rich in natural resources and cultural diversity, market connectivity remains a challenge in these sparsely populated areas. However, Luang Prabang, Savannakhet and Pakse have seen substantial urban development and will likely continue to do so considering the ongoing economic growth as well as the government's decentralisation efforts. Still, Laos remains a least-developed country, ranked 141 out of 188 countries (2015) in the UNDP Human Development Index.

Map 0: Population Distribution

Laos has a young population, with 79% at the age of 39 years old and below. With officially recognized 49 ethnicities, Laos has one of the most ethnically diverse population in Asia, which can be grouped according to the altitude of their settlement: The highland Lao (*Lao Sung*) constitute about 10% of the population, the midland Lao (*Lao Theung*) about 30% and the lowland Lao (*Lao Lum*) about 60%. The lowland Lao constitute the politically and culturally most homogeneous and dominant group. They are also native speakers of the official language Lao. Most high- and midland Lao retain their own languages and dialects (especially dominant are Hmong and Khmu), but learn Lao as a second language. Due to strong similarities, Thai is widely understood by Lao speakers. French is still taught in many schools and spoken among the older generation. In 1997, Laos became a member of ASEAN which uses English as its official language – English has now become the prevailing language for international commerce.

Laos has a tropical monsoon climate with a rainy season from May to October. Mobility of goods and people may be restricted during this period because of flooding and damage to roads. Changes to flight schedules can also occur at short notice. Temperatures can reach over 40°C along the Mekong valley from March-April and can drop to 5°C in the mountains during December-January.

Historical Overview

Small Lao kingdoms known as *muang* began to appear in the valleys of the Lower Mekong in the latter part of the first millennium following migrations from south-western China. In the 14th century the kingdom of Lan Xang (million elephants) united several of these *muang* together under the leadership of King Fa Ngum, who some also credit with the introduction of Theravada Buddhism. Over the course of the centuries the various *muang* divided and reunited and also entered and left alliances with rulers in what is now Thailand and Vietnam.

Much of the territory of modern Laos was conquered by neighbouring Siam at the end of the 18th century and was then incorporated into French Indochina in the late 19th century before being occupied by the Japanese during World War II. The country gained independence from France in 1953 and became the kingdom of Laos, with the monarchy based in Luang Prabang.

Many of the opponents to French rule joined the communist Lao People's Revolutionary Party (LPRP) in the 1950s and the LPRP also opposed the royal government in elections during this period.

The LPRP was allied with Vietnam's communist party when civil war came to Laos as the second Indochina War Laos in the 1960s. Much of Laos, especially eastern areas, suffered heavy bombing from the United States during the war.

After more than ten years of fighting the LPRP overthrew the royal government and in 1975 proclaimed the Lao People's Democratic Republic, forming a Marxist-Leninist government. The first president was Prince Souphanouvong and first prime minister Kaysone Phomvihane, both of whom were among the founders of the LPRP. In its early days the Lao PDR had no written constitution, little formal legislation and its economy was centrally organised with limited private ownership.

In 1986 the Lao Government, following a similar initiative in Vietnam, launched the New Economic Mechanism (NEM) to move the country towards a market-oriented economy. The NEM introduced liberal foreign investment regulations and following 11 years of gradual economic reform, Laos was accepted as a member of ASEAN in 1997. That same year, the country was affected by the Asian economic crisis, during which growth deteriorated, year-on-year inflation rose to more than 150%, foreign investment declined by almost 70% and the kip lost about 90% of its value against the US dollar. With international assistance, notably from China, the government was eventually able to stabilise the situation and recommence economic growth from 2000.

Laos has continued along a path of economic reform and international integration, strengthening ties with its neighbours - especially China, Thailand and Vietnam - but also with Western nations, and has become WTO member in 2013. Thailand and Vietnam are still the main trading partners, but China is becoming more and more involved in Laos, particularly in mining and construction.

Infrastructure

Laos's rugged terrain makes many areas of the country outside the valleys of the Mekong and its main tributary rivers difficult to access, and transport has traditionally been organised along river rather than land routes. The Mekong and other rivers are navigable in many stretches but rapids and waterfalls limit traffic in stretches and prevent access to the South China Sea.

Laos has declared expansion of its transport system and particularly access to neighbouring countries to be of strategic importance for its sustainable development. The country wants to evolve from being 'land locked' to 'land linked'. In this context, the six bridges currently traversing the Mekong are of particular strategic importance – especially the first Lao-Thai Friendship Bridge at Thanaleng, 20 km south of Vientiane, which connects the capital to Thailand's Nongkhai Province. This provides not only the main entry point for tourists visiting Laos, but also the main route for transport of goods.

Picture 0: The First Lao-Thai Friendship Bridge

The other bridges are linking Thakhek (Khammouane Province), south of the capital, with Nakhon Phanom of Thailand in Savannakhet linking with Mukdahan of Thailand and in Pakse (Champasak Province) in the south. The fifth bridge in the north, connecting Bokeo and Chiang Rai of Thailand was opened in December 2013, and the sixth bridge connecting Laos's Luang Namtha province and the Shan state of Myanmar was opened in May 2015.

The only functional railway in Laos was finished at the beginning of 2009. It connects Vientiane to the Lao-Thai Friendship Bridge at Nongkhai/Thanaleng. The 3.5 km line is of little significant economic importance at present but there are plans for much longer lines. The MOU between Laos and China was signed to finance to build a high-speed railway connection between the Chinese city of Kunming and Vientiane covering a total length of approximatively 427 km, with the line to link to Bangkok and Singapore. The project is developed by a joint venture between Lao National State enterprise (30%) and China railway International (70%) for an expected cost of 6 billion USD. The construction of the first section (out of six) from Puer to Mohan in China to Chinese-Lao boarder started in 2016. Next phase, the construction in Laos is expected to start in 2017 and expected to finish by 2021.

Two other railway projects have been plan by the government, the line will start in Khammouane province's Thakhaek district and linked it with the Vietnamese (feasibility study realized by KOICA) and Cambodian Border. Nevertheless, due to the financial issue related to the Lao-China railway (on the lao Side) the funding of these two projects doesn't seem to be the priority at now.

Infrastructure development has continued to be among top priorities of public investment as Laos maintains effort to turn the country from being "land locked" into "land linked".

Thus, infrastructure has continued to take the largest share (with more than 40% to nearly half) of government total spending.

Telecommunications and media

The telecommunications sector in Laos has developed rapidly over the last decade. The majority of the four million telephone connections are to mobile phones. The mobile phone market opened up to competition in 2003, creating an immediate boost to the market. Statistically, about two-thirds of the population own a mobile phone, although in cities the ratio is considerably higher. According to the 7th Socio-Economic Development Plan (covering 2011 – 2015), 80% of the Lao population was to have access to the telephone network by 2015. In that year, according to the 8th NSEDP, the telephone numbers subscribed, including fixed line and mobile phone, have reached 5.76 million, covering 88.6% of the country's population.

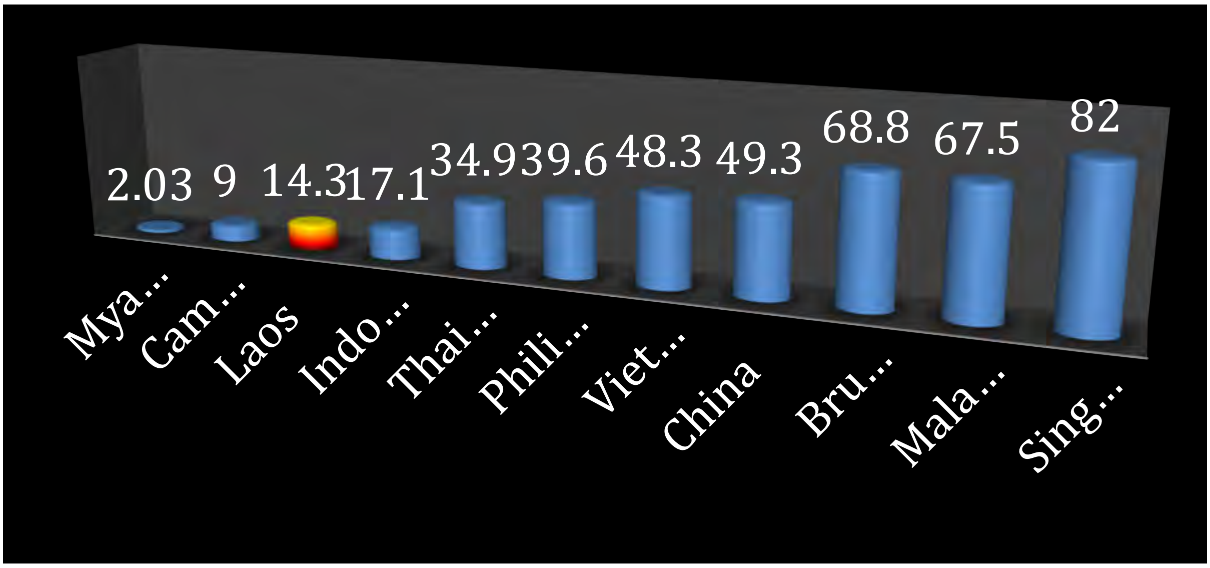
Four enterprises currently offer fixed and mobile telecommunication services, with the government holding shares in each:

- Lao Telecommunication Co Ltd
- Enterprise des Telecommunications Lao
- Star Telecommunication Company
- Beeline

The postal system is state-run. Reliable delivery to post boxes is available in Vientiane Capital. International logistics providers such as Schenker, DHL and UPS are present in the market and offer mail or parcel delivery services.

Internet connections of various types are available in the bigger cities. In 2014 internet usage was still relatively low, with only 14.3 users per 100 residents. However, in 2012 Laos became the second ASEAN country to launch a 4G-network after Singapore. With mobile internet now widely available and a growing middle class that can afford smart phones, Laos has the potential to skip the development of a sophisticated landline system and moving directly to major usage of mobile internet. On-line payment is still in an early phase of development. Once the right payment systems are in place, this development will present investors with a new market for e-commerce.

Figure 0: Internet users per 100 people (2014)



Source: http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx

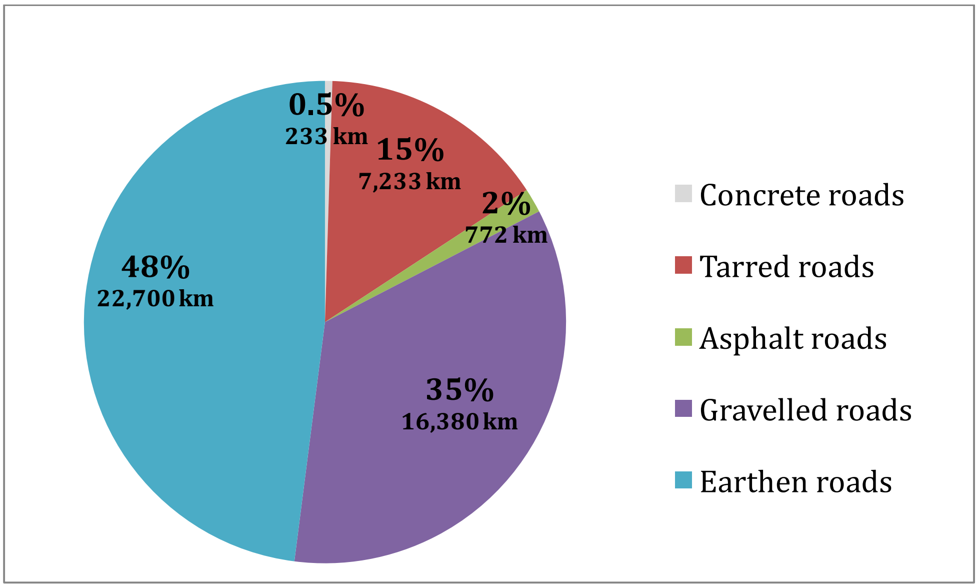
There are five functioning public internet service providers: ETL Internet, Lao Telecom, KPL, Planet and Beeline.

Besides newspapers in Lao language at national and provincial levels, French and English daily newspapers are also available. All newspapers are currently state-owned. It is now possible for private companies to offer media services and private television stations have begun broadcasting in competition to state channels. Satellite and cable services offering international content are also available. Printing publication by foreign entity is strictly controlled.

Road network

Although the road system has been improved significantly, it still needs further development. Around two-thirds of all goods transported within Laos rely on the road system. While the network is wide, only about 17% of the 56,000 km of roads are surfaced in 2015. Parts of the country are difficult to reach, especially during the wet season. However, the two major roads Route 13 and Route 9 are usually passable. Route 13 starts at Boten, Luang Namtha Province, in the north of Laos at the Chinese border and runs down to the southern border with Cambodia in Champasak Province. Route 9 runs from the Thai border at Mukdahan in the west of Laos across Savannakhet to the Vietnamese border in the east.

Figure 0: Road Infrastructure in km (2014)



Source: Ministry of Public Work and Transportation, cited in Lao Statistics Bureau (2015), *Statistical Yearbook 2014*, p. 98, Ministry of Planning and Investment.

Business people generally depend on personal vehicles or rent vehicles with drivers. In 2014, about 1 600 000 vehicles were registered and 77% among them are motorcycles. Jeeps, trucks, sedans and pick-ups however had the highest percentage of increase 13% from 2013 to 2014. Taxis are becoming more available, especially in Vientiane Capital, and generally need to be called in advance and large, single-decker buses and minibuses are also available on regular routes within the Capital. In the provinces, *Tuk-Tuks* (auto rickshaws) are often used for journeys in town and *songthaew* (pick-up trucks with benches) for travelling between towns.

Aviation

Laos has nine airports with surfaced runways. The main international airport is Wattay Airport in Vientiane Capital, but there are also flights to neighbouring countries from Luang Prabang, Pakse and Savannakhet.

Wattay Airport, source KPL news

International connections are currently available to Thailand (Bangkok and Chiang Mai), Vietnam (Hanoi and Ho Chi Minh City), Cambodia (Siam Reap and Phnom Penh), Malaysia (Kuala Lumpur), Singapore, China (Jinghong, Guangzhou and Kunming) and South Korea (Seoul).

The national carrier, Lao Airlines, expanded its fleet in 2012 with the purchase of two Airbus planes. Not all airlines flying in Laos comply with international flight safety standards and it is recommended that passengers evaluate each airline's safety record, as well as alternative travel routes, before making bookings.

The Lao Economy

Table : Economic Facts

Gross domestic product (GDP) (current)	US$12.3 billion (2015, World Bank)
GDP per capita (current)	US$1,810 (2015, World Bank)
GDP growth	7% (2015, World Bank; 7.8%, 2011-2015 av.)
Composition of GDP	Primary sector 25.8%, secondary sector 31.8%, tertiary sector 42.3% (2015, calculated from Lao Statistics Bureau)[1]
Composition of GDP by end use	Private use 58.2%; public consumption 14.4%; gross fixed capital formation 36.6%; external balance -10.8%
Inflation	1.3% (2015, Bank of Laos)[2]
Important agricultural products	Rice: 4 million mt, sugar cane: 1.8 million mt, cassava: 1.6 million mt, maize: 1.4 million mt, coffee: 113,000 mt (2014, FAO)
Other significant sectors	Resource and energy sector, tourism, garment industry, wood processing, construction
Membership of international organisations (selected)	UN, IMF, ASEAN, WTO, UNESCO

Laos is among the most dynamic countries in the world in terms of economic growth. The country's GDP expanded 7.9% annually on average in the past decade (2006 – 2015), according to the World Bank's data, and the IMF foresees a medium-term growth rate of over 7% annually up to 2020. These high growth rates are necessary if Laos wants to reach one of its most important development goals – overcoming its status as a "least developed country" by 2020.

The contribution of the resources sector, particularly copper, gold and silver mining as well as hydropower, to economic growth has been very strong, accounting for up to half of GDP growth in some years, and they will continue to be important for some time. Although mining contribution to growth has in the past couple of years been declining, due partly to global price slump in commodity prices and to government's moratorium order on new mining concession, electricity has gained importance as the 1,878 MW Hongsa lignite power plant is expected to be in full operation in 2016 and more hydropower dams with 500 MW installed capacity will be commissioned. In 2016, electricity is expected to contribute over 3% to GDP growth, almost 3% by services, less than a percent each by manufacturing and construction (World Bank, 2016).

Increasing contributions to growth are coming from services and trade, including tourism, transport and telecommunication, plus construction and its supply industries. Agriculture grew slightly more than 3% in 2014 and the sector's performance in 2015 remained similar to that of the previous year. Agricultural output is expected to remain highly sensitive to weather changes in the coming years, unless irrigation and extension services are substantially improved. Laos is benefiting from current economic dynamics in the ASEAN countries and from preferential access to the EU market, which is especially important for the garment industry. However, general worldwide economic uncertainty, the Euro crisis and curtailed growth in China pose potential risks to Laos's further development.

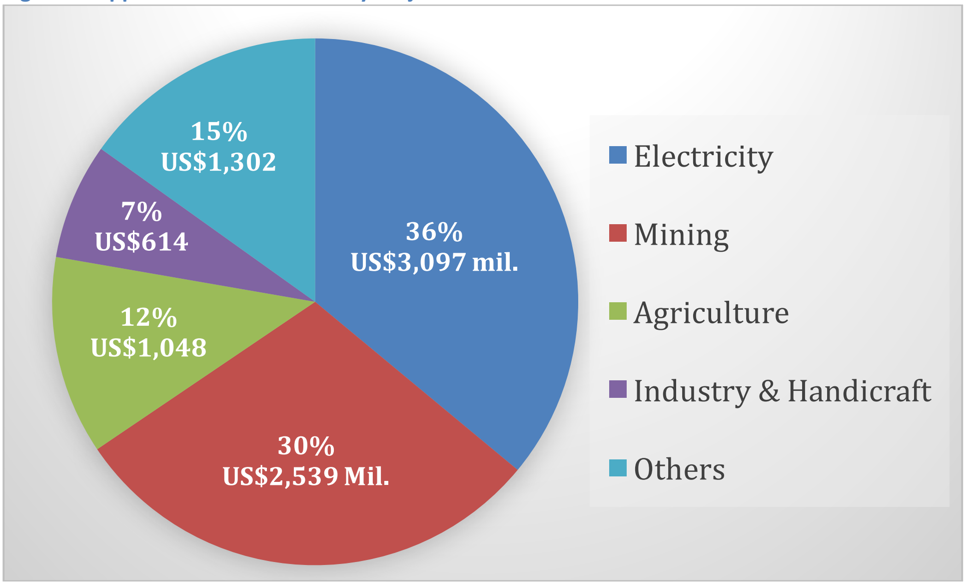
[1] Calculation method used is similar to that of World Bank. However, World Bank latest report on sector share is for 2014, Dr. Mana Southichack

[2] International sources (WB, IMF, ADB) report the same figure as Lao Statistics Bureau, which BoL uses as its data source, Dr. Mana Southichack

Among specific targets for 2016-2020 are an annual GDP growth rate of at least 7.5%, and a budget deficit not to exceed 5% of GDP. Furthermore, the current socio-economic development plan (2016–2020) projects that 9-11% of the investment needed to achieve this growth target would be contributed by the public sector, 15-17% by official development aids in loans and grants; 17-19% through credit, and 55-57% through private sector (mainly foreign direct) investment.

Between 2011 and 2015, a total of US$8.6 billion of investment projects, comprising of 75% or US$6.5 billion FDI, was approved, according to the Ministry of Planning and Investment. The largest share was electricity generation (36%), followed by mining (29.5%), agriculture (12.2%), and industry and handicraft (7.1%). The remaining 15.2% include “service”, “construction”, “hotel & restaurant”, “banking”, “trading”, “public health”, “telecom”, among others . Inflows of foreign direct investment (FDI) have been growing, from less than US$700 in 2010 to nearly US$2 billion in 2015. Over this same 2011-2015 period, FDI inflows totalled US$7.99 billion, according to the IMF.

Figure 0: Approved FDI 2011-2015 by Major Sectors



Source: Investlaos.gov.la (accessed 19 August 2016), Ministry of Planning and Investment.

For long-term and successful economic development, several requirements have to be met:

- Further diversification of the economy
- Promotion of private investment
- Increased investment in infrastructure
- Greater value added to resources before export
- Enhancement of purchasing power

Diversification is crucial for sustaining growth. The current investment regime, dominated by the capital-intensive hydropower and mining industries, does not offer many job opportunities.

The competition law was approved in August 2015. The competition however is not fostered by the government, many companies in Laos currently operate in protected markets. With further integration into the world economy, particularly entry into the AEC, pressure of competition will rise and is likely to lead to market consolidation.

In 2016, several important political figures including the President of USA, Prime Ministers of China, Japan, Korean, Russia and some ASEAN members to attend the ASEAN summit in Laos which proves

Laos' increasing political importance and further raise its worldwide profile and is now more present on the world map of the business community.

Picture 0: Photo of Lao presidency of ASEAN in 2016

Agriculture

Agriculture still provides a livelihood for about 70% of the population and employs almost 72% of the workforce (Population and Housing Census 2015). However, more than half of all farms are subsistence-based with commercial farming still in its infancy: the agriculture sector experienced the lowest growth of the three economic sectors over the last 10 years.

Despite the predominance of the farming way of life, only around 10% of the Lao PDR's land is used for agriculture[3]. Mountainous terrain, forest and marginal land mean that agricultural productivity varies widely from one region to another. Yields per hectare tend to be higher in the Mekong area and lower in mountainous areas where shifting cultivation is still widely practiced. Increased production of agricultural products is expected in the near future, to a limited extent due to enhanced cultivation methods, but mainly because of efficiency gains through the granting of large land concessions to foreign companies.

Rice, especially sticky rice, is the most important agricultural product in Laos and is also the staple food, with only small quantities exported. Rice was cultivated on 979,000 hectares in 2014 with around four million tonnes harvested in 2014. About 90% of the harvest was used as self-supply by farmers.

Contract agriculture and plantations are the common forms of commercial farming in Laos. Plantations are mainly foreign-owned, with many rubber plantations owned by Chinese investors in the north and the number of Vietnamese-owned plantations increasing in the south.

[3] FAO, Country Indicators, Laos. Data 2014

A traditionally important branch of commercial farming is the coffee production on the Bolavens Plateau in the south. Coffee production has increased significantly in recent years, reaching 113,580 tonnes in 2014 (LSB, 2015). Both arabica and robusta varieties are cultivated, in sometimes excellent quality. Coffee exports were worth US$200 million in 2014, according to UN Comtrade data, making the commodity by far the most valuable planted crop. The second main export crop is maize.

Almost all areas of agriculture could be improved in terms of productivity and processing rate. Challenges to the strategic development of the sector include low labour productivity, a low ratio of irrigated agricultural land (13%), unsophisticated livestock production methods, highly fragmented land use and very low farm incomes. Fragmentation of land ownership and the lack of clear documentation on land holdings and usage rights currently limit investment possibilities in the sector. Technology input is also limited and shortages in harvesting due to both drought and floods are common.

Mining and Energy

Laos is rich in natural resources and the mining sector contributed 12.7% to national GDP in 2015. Among the largest resources are copper, gold, bauxite, coal, silver, limestone, and gypsum. A large part of the country has not been explored yet.

The biggest mines in the country are the copper and gold mines at Sepon in Savannakhet province and at Phu Bia, north of Vientiane province. The largest is Phu Bia Mining, owned by an Australian incorporated company which is owned by a Chinese state-owned company Guangdong Rising Assets Management Co., Ltd (GRAM), based in Guangdong Province, and which produced over 344,000 tonnes of copper in 2014; and MMG Sepon, which is owned by China's Minmetals, produced 87,600 tonnes of copper in the same year. Most of the output is exported. The Lao state owns 10% of both ventures. Due to a slowdown in global demand and a slump in commodity prices, both mines have cut production in 2015.

With many of the mining concessions awarded by the government sitting idle, Laos announced a four-year moratorium on the issue of new mining licences in mid-2012.

With an estimated hydroelectric power potential of 28,000 Megawatts (MW) Laos seeks to become the "battery of Southeast Asia". At the beginning of 2016, installed power generation capacity was over 6,300 MW and additional 4,000 MW is under construction. Among the largest planned project is the controversial Xayaboury dam on the Mekong.

The largest power plant in operation so far is the 1,878-MW Hongsa lignite power plant in Sayaboury Province, which the Lao government owns a 20% share. It was in full operation in March 2016, with 80% of the electricity generated exported to Thailand. The second largest power plant is the 1,070-MW Nam Theun 2 dam in Khammouane Province, which began generation in March 2010. The plant is typical of Lao power projects in that it exports 95% of its power to Thailand. Nam Theun 2 earns approximately US$270 million per year in revenue, with the Lao government owning 25% of the operating company.

In March 2012 the state power utility, Electricité du Laos (EDL), announced that it would increase its rates 3% annually from 2013 until 2017. The extra revenues generated are to be used to develop more power plants and expand the electricity grid nationwide. Nevertheless, electricity remains relatively inexpensive in Laos in comparison to rates in neighbouring countries and on an international scale (Average price in US cents per kWh, May 2014 was 0.081 compared to 0.206 in Singapore.

Manufacturing Industry

The manufacturing industry remains underdeveloped, in both scope and technological performance. Around 99% (Economic Census 2015) of companies conducting business in Laos are small- or medium-scale enterprises with less than 100 employees. However, large companies provide approximately 32% of industrial jobs (Economic Census 2015).

The industry as a whole has grown by 10.5% per annum on average over the last five years (2011-2015) and at the same time contributed 30-33% to the GDP. However, over this same period, manufacturing grew 9.3% per annum on average and contributing 8-9% to GDP. Energy, water supply and construction grew above average over this same period.

The garment and the wood processing industries grew strongly in the past but experience slow growth rate recently. The Garment sector however is the biggest manufacturing sector in Laos employed 25,000-30,000 people - mainly women. Garment factories are mainly located in Vientiane, with 92 enterprises are in operation in 2016. About 80% of Lao garment is exported to EU, the export value to EU remained stable at an annual average of US$160 million from 2012 to 2015 (European Union, DG Trade statistics 04 November 2016).

The Wood processing industry has a positive prospective for growth in the future as benefiting from a stringent ban on the export of logged woods that increases raw material supply for the industry.

Inter-industrial linkages are rarely distinct in Laos as most enterprises sell directly to the final consumer. To grow sustainably and compete internationally local companies will need to become more professional by improving employee qualification (especially at middle-management level), and introducing quality standards and innovation.

Services

The service sector grew by almost 8.7% in 2015 and contributed around 42% to national GDP; over 2011 – 2015, it expanded 9% per annum on average. Most companies in the tertiary sector are involved in wholesale, retail or repairs. Usually these are micro enterprises with an average number of 1.7 employees.

Tourism

Tourism is one of the most important sources of foreign exchange for Laos and accounts for roughly 10% of GDP. The sector grew by 12% in 2015 when about 4.7 million arrivals generated income of US$725 million. The majority of tourists come from neighbouring countries such as Thailand (2.3 million tourists accounting for 49% of arrivals in 2015) and Vietnam (1.2 million tourists or 25% total). Arrivals from South Korea and China significantly increased in 2015, by 54% from Korea (growing from 96,000 in 2014 to 165,000 in 2015) and 19% from China (from 422,000 in 2014 to 511,000 in 2015). However, arrivals from Japan slightly declined to 43,826 in 2015, from the height of 48,644 in 2013. Arrivals from Europe and Americas respectively increased 4% and 3% each. Despite the impressive growth, revenue per tourist amounted to only US$155 in 2015.

Moving Towards a Market Economy

Laos has been opening up to foreign investors and a moving towards a market-oriented economy ever since adopting the NEM in 1986. At that time the country ended central planning and started to foster trade and investment in order to graduate from its status as a least-developed country by 2020. With this goal in mind, the Lao government has introduced a number of strategies and policies to develop the economy, and increase industrialisation and reduce poverty.

Farmers are now allowed to own land and sell crops at market-price, with many government-dictated prices removed. State-owned enterprises have both been granted more independence and lost monopolies. Additionally, the government has allowed the exchange rate of the kip to reflect real market levels, reduced trade barriers, and provided private-sector companies with direct access to imports and credit. The NEM has been gradually expanded to facilitate private sector growth, raise employment and stimulate development.

In 1989 the government reached an agreement with the World Bank and the IMF to further fiscal and monetary reform, support private companies and foreign investment, boost the banking system and privatise or close non-performing state-owned enterprises. The government also agreed to keep a flexible exchange rate, reduce tariffs and abolish outdated trade regulations.

These reforms enhanced growth potential but were temporarily slowed down by the Asian financial crisis in 1997, when the economy started to suffer from an average inflation rate of nearly 70% until 2000. In response, the government tightened monetary and financial policies and by 2001 was able bring the inflation rate down to single digits.

The privatisation programme introduced in 1988 has played an important role in Laos's development. State-owned enterprises previously dominated the industrial sector but through privatisation in telecommunications, transport, insurance, real estate and tourism, the role of the government has been restricted. Joint ventures were the most common method of privatisation, with the government maintaining 51% ownership at first and then reducing its share. The remaining state-owned enterprises are mainly in banking and utilities.

In 2010, the government declared that it wanted to further improve the business environment, aiming to attract more private investment and so achieve economic growth targets. In the meantime a unified law on investment promotion has been promulgated; starting a business has become easier – at least in theory – and a comprehensive development strategy for Special Economic Zones has been adopted.

PART II

Political and Judicial System

The Lao PDR is among the five last communist countries in the world. The National Assembly is the representative body and the ruling LPRP is the only permitted party in the country: the single-party system is enshrined in the constitution. Stable economic growth and a comprehensive surveillance apparatus help ensure the undisputed position of the LPRP.

The Lao legal system is based on customary law and traditions, plus French law and socialist ideology. Since 1986 comprehensive reform of the legal framework has been driven by liberalisation, regional integration into ASEAN and accession to the WTO. However, not all political and legislative measures are consistent and sometimes even contradict themselves while understanding and enforcement of the law is weak which might be a reason contributed to a low raking of Laos at the International Transparency Index.

Laos adopted its first Constitution in 1991 and amended it in 2003 and in 2015. More than150 legislations had been reviewed for amendment and newly endorsement in order to be compliant with WTO requirements. The legal system has also been affected by ASEAN Economic Community.

Political System

The administrative system comprises four bodies of state power: the National Assembly, the government, the people's courts and the people's prosecutor offices. Additionally, mass organisations such as the Lao Federation of Trade Unions, the Lao People's Revolutionary Youth Union and the Lao Women's Union actively shape the political life of the country (MoFA 2012).

The Lao Front for National Construction (LFNC) is a political umbrella organisation for Lao mass organisations and is responsible for ethnic minority and religious affairs. The organisation is influenced by the LPRP, which is itself a member of LFNC.

The LPRP has governed the country since 1975. The party shapes and revises policies on national development in all areas. It determines policies for personnel management and controls and supervises the activities of party members, state agencies and mass organisations.

The Politburo is the highest body of the LPRP, guiding the general orientation of the government and enacting policies approved by the Party Congress or the Central Committee. Members of the Politburo are elected by the Central Committee after the Party Congress, which is held every five years. The current 9th Politburo consists of 11 members. The top-ranked member, Bounnhang Vorachith, acts as both General Secretary of the Central Committee and President of Laos. Though it is not stipulated by law, the president is usually also the first ranked member of the party.

The National Assembly is the supreme organ of state power and the legislative branch empowered to make fundamental decisions for the country, and to oversee the activities of executive organs, the people's courts and the people's prosecutors. Currently, the Assembly consists of 149 members with 26% female, elected from lists approved by the LFNC. Headed by Ms. Pany Yathotou President of the National Assembly, President of the Standing Committee. Usually there are two National Assembly sessions per year, in June and November. The Standing Committee of the National Assembly consists of 14 elected members and functions as a permanent legislative body to interpret and explain the constitution and laws. Furthermore, the Standing Committee carries out the responsibilities of the National Assembly when it is not in session (NA 2015).

There is also a free citizen's phone line when the biannual sessions take place, with incoming requests discussed during the plenum.

The head of state, the president, is elected by the National Assembly for a five-year term, the same term as the National Assembly. The Government of the Lao PDR is the executive branch of state power and implements the state's duties in all sectors (political, economic, cultural, social, national defence, etc.). The head of government is the prime minister, who is appointed by the president in accordance with the National Assembly. The prime minister manages the work of the government, ministries, ministry-equivalent organisations and the activities of the provinces.

The government consists of 18 ministries and three ministry-equivalent organisations:

- Ministry of National Defence
- Ministry of Public Security
- Ministry of Foreign Affairs
- Ministry of Justice
- Ministry of Home Affairs
- Ministry of Education and Sports
- Ministry of Health
- Ministry of Information, Culture and Tourism
- Ministry of Labour and Social Welfare
- Ministry of Planning and Investment
- Ministry of Finance
- Ministry of Agriculture and Forestry
- Ministry of Natural Resources and Environment
- Ministry of Energy and Mines
- Ministry of Industry and Commerce
- Ministry of Public Works and Transport
- Ministry of Science and Technology
- Ministry of Post, Telecommunications and Communication
- Government Office
- Government Inspection Authority
- The Bank of the Lao PDR

Legislative Process

In accordance with the constitution, legislative power lies with the National Assembly. It has the sole right to pass laws and have them promulgated by the president within 30 days. There is no concept of "precedent" or "case-made law". Laws and resolutions submitted by the National Assembly are inferior to the constitution, but superior to presidential, government and ministerial decrees and decisions, as well as other regulations and decisions at local level.

Draft laws can be submitted to the assembly by several authorities including:

- The President
- The Standing Committee of the National Assembly
- The Government
- The People's Supreme Court
- The Public Prosecutor
- Mass organisations at central level.

First, the Prime Minister's Office approves the draft, and then the drafting committee presents the draft for consideration by the National Assembly. Within the 30-day period, the head of state may require a revision of the submitted law – if the National Assembly approves this revision, the president must then promulgate the law within 15 days.

Decrees are the fundamental legal basis for the implementation of laws and are enacted by the administration and the prime minister. All laws require a decree in order to be implemented but implementation decrees are often issued after a considerable delay.

Figure 0: Hierarchy of Lao Laws

Source: DFDL 2011.

Laws follow a clear hierarchy of precedence with legislation that is more senior in the hierarchy being applied in any case of conflict. The Constitution is the most senior.

Judicial System

The supreme court is the highest authority in the Lao judicial system, followed by the appellate court, provincial and municipality courts, and district courts. The appellate court was established to hear appeals directed to provincial, municipality and district courts. The supreme court has to report to the National Assembly, which may overrule decisions made by the supreme court.

As determined by the constitution, the judiciary is divided into two bodies: the people's court and the people's public prosecution. The Standing Committee of the National Assembly appoints all people's courts judges and may also remove them from office. Judges are often LPRP members and many of them have limited legal training. According to the law on people's courts (2003), the objectives of the people's courts include:

- Adjudicating cases, taking citizen education in patriotism into account
- Protecting the political regime, society and the economy, as well as maximizing the outcomes of the revolution
- Protecting the rights and benefits of citizens.

There are 39 regional courts, 16 provincial courts, one municipality court in Vientiane, one military court, plus the supreme court.

Figure 0: Lao Court System Hierarchy

Source: DFDL 2011.

Appellate courts adjudicate cases on appeal from the people's provincial and city courts. There are currently three appellate courts.

Cases are investigated by a three-judge panel. Litigants may be represented in trials, which are conducted openly with sentences announced in public, though they are not published. Trials involving national security, state secrets, or specific types of family law are closed to the public. Foreigners can file petitions to the national courts in accordance with the constitution and laws of the Lao PDR.

In practice, judges often administer justice based on police or prosecution investigation reports, with a tendency to examine cases review the evidence for the sake of form. Out-of-court settlements are therefore common.

Rule of Law

In addition to monitoring the implementation of laws, the public prosecutor's office is also charged with taking members of the government to court in case of violation. However, no such cases have occurred as yet. New laws are currently communicated to people via the state press but to increase transparency in the wake of WTO accession and ASEAN integration, a web-based publishing solution is under way.

A law is declared constitutional by the Standing Committee of the National Assembly. There is currently no constitutional court entrusted with the interpretation of laws, which may pose difficult when lodging an appeal. As there is no essential separation of powers between the judiciary and LPRP, some incoherence may arise from the LPRP's strong influence on the rule and interpretation of law.

The amended penal law prohibits any "destabilising subversive activities" and most large public gatherings are organised by the government. The constitution guarantees both freedom of speech and press, but both are subject to certain government supervision.

The rule of law has been evolving steadily over the past few years. As the country's economic and international political integration deepens, further reform will be required to strengthen state institutions.

Trade System

From 1986 the NEM introduced several major reforms including liberalisation of domestic and international trade (for instance through quota and tariff reduction/elimination). Since then, Laos has implemented multilateral, regional and bilateral trade agreements, especially by joining the ASEAN Free Trade Area (AFTA). Laos is also committed to the ASEAN Economic Community, which comes into effect in December 2015. (→ Membership in other organisations)

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Being land-locked, Laos depends heavily on transit transport and its transportable volume is restricted by its infrastructure and its narrow range of exports.

Accession to the WTO in 2013 was an important milestone in the government's endeavours to integrate Laos into the regional and international economy. A new WTO- and ASEAN-compliant regulation on import and export licensing was introduced in 2009, defining the categories of goods that need import approval. During the 15 years of preparations that it took Laos to enter the WTO, the government reviewed and improved more than 150 pieces of trade-related legislation including 31 laws, 48 decrees and 82 sub-regulations.

Lao PDR maintained six tariff bands with MFN duty rates of 5, 10, 15, 20, 30 and 40 per cent. Low tariffs (5 to 10 per cent) were set on imported raw materials and agricultural inputs. The highest rate applied to "luxury goods" (document WT/ACC/LAO/5, Annex IV). For import, 26 product categories need approval and eight product categories are prohibited, while 13 categories of export products need approval and four product categories are prohibited. The majority of these approvals refer to technical procedures for quality control, food safety and animal health. Efforts are also being made to enhance transparency, decrease non-tariff barriers and adjust national trade legislation to the WTO and ASEAN guidelines (MoIC 2012a, MoIC 2012b). Laos ratified the WTO Trade Facilitation Agreement in September 2016. The central on-line platform for publishing all legislations is the Lao Official Gazette.

Progress has been made on promoting trade of goods in and out of the country. The Lao Customs Department is working on bringing its institutional framework up to the standards of the revised Kyoto convention as well as to WTO and ASEAN requirements. The customs automation system (ASYCUDA) has been installed in 23 boarder check points. Among this, 11 check points already implement the new system by 2016. A 10-year concession contract to develop and operate Lao National Single Window (LNSW) linked with customs automation system has been granted to a joint venture between Ministry of Finance and Bureau Veritas. The implementation of LNSW was piloted for importation of two products (fuel and passenger vehicle) in 2016. The LNSW is expected to link with ASEAN Single Window by 2017. An electronic certification of Rules of Origins for exportation was set up in 2016 and an Authorised Economic Operators is expected to be established in 2017.

At present, Lao PDR is using the Tariff Nomenclature 2012, which commodities are classified base on ASEAN Harmonized Tariff Nomenclature and Harmonized Coding System of World Customs Organization. Lao PDR Trade Portal is a central on-line platform providing information on tariffs, measures and procedures for import and export which is also linked to ASEAN Trade Repository.

Picture 0: Goods Customs Checkpoint at the First Friendship Bridge

The Customs Law was last amended in December 2011 to strengthen revenue collection. It replaced the Custom Law of 2005, which was amended in accordance with WTO regulations (MoIC 2011).

Under ATIGA, Laos commits to reduce the import duty rate of 96% of a total 9, 558 tariff lines to 0%, and 2.77% of total tariff line to 1-5% rate.

Trade preference which Laos benefits from can be grouped into 3 categories: 1) Generalized System of Preferences (GSP) from 38 developed countries including Australia, Belarus, Canada, European Union (EU 28), Japan, Kazakhstan, New Zealand, Norway, Russia, Switzerland and Turkey;
2) preferences of developing countries including China, India, South Korea, and Chinese Taipei.; and 3) preferences under free trade agreements (FTAs) in which most importance to Laos is the ATIGA. In addition, Laos also benefits from preferential access to ASEAN dialogue partners (China, India, Japan, and South Korea) as well as other trade arrangements (Laos-Vietnam and Asia Pacific Trade Agreement: APTA) (MOIC, Lao Trade Portal 2016)

Trade in services committed under WTO and ASEAN

Retails, telecom

Hospitals

Bilateral Trade Agreements

Laos has Bilateral Trade Agreements with Argentina, Belarus, Cambodia, China, India, Indonesia, North Korea, Kuwait, Malaysia, Mongolia, Myanmar, Philippines, Russia, Thailand, Turkey, Ukraine, Vietnam and the USA. (MoIC 2016).

Besides these agreements, Laos has been fostering border trade with its direct neighbours, China, Thailand and Vietnam. Annual meetings with Vietnam regarding border trade, and promotion of cross-border contract farming with Thailand are part of the trade agreements. Furthermore, China has unilaterally liberalised its market for products imported from Laos and is facilitating border trade.

Generalized System of Preference with the EU

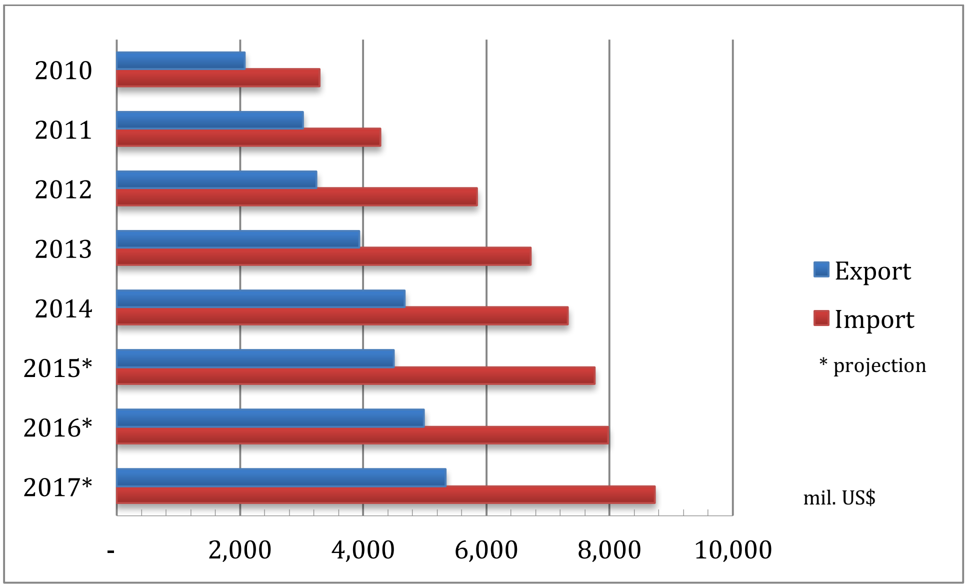
The Generalised System of Preference (GSP) with the European Union was gradually established since 1990. Exports, especially in the garment sector, grew in Laos benefiting from EU GSP.

As part of GSP, the EU and Laos have established the special "Everything but Arms" trade preference. This allows duty- and quota-free admission for nearly all Lao exports to the EU market, except for war-related goods.

Trade with Other Countries and the EU

In 2014, the latest available complete trade data, Laos exported US$4.67 billion and imported US$7.33 billion, according to Comtrade database. Trade volume is steadily increasing, as is the trade deficit, which is expected to reach more than US$2.5 billion for 2015, estimated based on Comtrade.un.org database (accessed August 8th, 2016).

Figure 0: Import and Export of Goods and Services in million US dollars



Sources: 2010-2014, Comtrade.un.org (accessed August 8, 2016); all others, IMF Country Report No. 15/45 (2015).

The most important bilateral agreements for trade are those with Laos's direct neighbours: China, Thailand and Vietnam. Thailand, Laos' largest trading partner, alone accounted for over 55% of imports into Laos, in 2014, followed by China, 26%. Trade with the three immediate neighbouring countries accounted for 86% of the country's total trade. The most notable goods exported from Laos are minerals (especially gold and copper), electricity, garments, handicrafts, agricultural products (especially sweetcorn) and timber. In 2015, Laos exported US$1.2 billion of mineral products. In the same year, Laos' export of electricity to Thailand valued US$577 million. The most noteworthy development was the doubling of manufactured products, especially equipment parts, export to Thailand from US$150 in 2014 to US$300 in 2015.

Table 0. Laos' Trade with Immediate Neighbouring Countries: 2014

Trading partners	Exports		Imports		Balance
	Mil. US$	% Total	Mil. US$	% Total	Mil. US$
Thailand	1,410.6	30.20	4,032.6	55.04	(2,622.0)
China	1,774.6	38.00	1,838.9	25.10	(64.4)
Vietnam	802.1	17.18	484.0	6.61	318.1
Cambodia	12.9	0.28	0.1	0.00	12.8
Four neighbours	4,000.2	85.65	6,355.6	86.75	(2,355.4)
Total with world	4,670.2	100.00	7,326.1	100.00	(2,655.9)

Source: Comtrade.un.org (accessed on 8 August 2016).

In spite of incentives offered by the GSP, lower trade volumes have been recorded between Laos and the EU over the last few years. This is especially true of the EU import from Laos, which have decreased in volume and also constitute an extremely small proportion of EU imports.

The data shows a similar picture in terms of the EU export to Laos. The small trade volumes could be a result of Laos's relatively small economy and its current focus on positioning itself within ASEAN. In any case, the numbers leave plenty of scope for intensifying trade relations.

Table : EU import-export to Laos

		Imports Value Mio €				Exports Value Mio €			
		2012	2013	2014	2015	2012	2013	2014	2015
	Total	245	253	225	238	233	119	182	123
0	Food and live animals	53	56	49	54	1	3	10	9
1	Beverages and tobacco	3	1	3	0	3	3	5	5
2	Crude materials, inedible, except fuels	8	4	2	3	1	1	1	1
3	Mineral fuels, lubricants and related materials	0	0	0	0	0	0	0	0
4	Animal and vegetable oils, fats and waxes	0	0	0	0	0	0	0	0
5	Chemicals and related prod, n.e.s.	18	19	15	9	4	14	11	16
6	Manufactured goods classified chiefly by material	6	28	1	2	33	29	30	35
7	Machinery and transport equipment	1	2	2	2	185	61	114	49
8	Miscellaneous manufactured articles	151	143	151	165	5	6	9	7
9	Commodities and transactions n.c.e.	5	0	2	3	2	2	1	1
	Other	0	0	0	1	0	0	0	1

Source: http://ec.europa.eu/trade/policy/countries-and-regions/statistics/, published on 04-11-2016

DHL Global Connectedness Index 2016

The increase in imports and exports might be seen as a further step in Laos's effort to move from a land-locked to a land-linked country.

The 2016 DHL Global Connectedness Index shows that Laos' connectedness ranking has been stagnant at 128th out of 140 countries.

The survey compares the integration of countries and their economies worldwide by measuring the extent to which a given economy is internationalised (depth) and with how many countries it is connected (breadth). The data used for the survey encompasses, among other parameters, trade volume, FDI stock and flows, internet bandwidth and international phone calls.

Economic Corridors

The concept of economic corridors was introduced during the 1998 Asian financial crisis to help areas deal with difficulties after the crisis. The idea was to foster economic activity along the main roads and transport corridors, for instance through construction of telecommunications and electricity infrastructure and gas pipelines.

The East-West Economic Corridor starts in Vietnam (Danang) and passes through Laos (Savannakhet), Thailand (Phitsanulok) and Myanmar (Mawlamyine).

One of the three sections of the North-South Economic Corridor begins in Thailand (Bangkok) and continues through Laos (Luang Namtha) to China (Kunming).

The economic corridors connect major cities in the Greater Mekong Subregion such as Bangkok, Hanoi, Phnom Penh and Kunming. The corridors offer additional transport avenues for delivering goods between China and ASEAN.

Map 0: Trade Value with Neighbouring Countries and Economic Corridors


China
Export to China
USD 1,316 mil.
(2015)
M.PHONGSALI
Vietnam
Burma
M.XAI
M.XAM-NUE
M.HUAYXAI
Import from China
USD 1,212 mil.
(2015)
M.LUANGPHABANNG
M.PEK
Laos
North-South
Economic Corridor
M.XAIGNABOULI
Import from Thailand
USD 4,168 mil.
(2015)
M.PAKXAN
VIENTIANE CAPITAL
Export to Vietnam
USD 802 mil.
(2014)
M.THAKHEK
Export to Thailand
USD 1,465 mil.
(2015)
Import from Vietnam
USD 484 mil.
(2014)
M.KAISONPHOMVIHAN
Thailand
East-West
Economic Corridor
M.SALAVAN
Legend
Border Crossing
Airport Terminal
Vientiane Capital
M.LAMAN
Import from Cambodia
USD 0.1 mil.
M.PAKSE
(2014)
M.ATTAPUE
Export to Cambodia
USD 13 mil.
(2014)
Cambodia

Financial System

The Lao Financial System has experienced several amendments and adjustments in the last couple of years as part of efforts to promote sustainable economic growth.

The Financial Sector was divided into two segments when the Bank of the Lao PDR (BoL) split from the commercial sector in 1989. The former 96 BoL branches were transformed into seven autonomous state-owned commercial banks, which were further consolidated into three banks ten years later: BCEL, Lao May Bank and Lane Xang Bank. In 2001 Lao May and Lane Xang banks further merged into the Lao Development Bank (KPMG 2009).

The two most recent reforms to the banking sector are the restructuring of the State-Owned Commercial Banks (SOCBs) and the announcement of the Law on Commercial Banks in 2007.

Restructuring of the SOCBs and the issuing of recapitalisation bonds has led to a reduction of non-performing loans and enhanced the capital positioning of the SOCBs. Supervision of banks has improved, but some problems endure, with the BoL still acting as both SOCB regulator and owner and the government influencing SOCB loans (UN 2010).

The second reform, the law on commercial banks, set new standards for all commercial banks (private, foreign or state-owned). It defined regulations on the establishment, regulation and oversight of commercial banks and brought new actors into the market, in the form of Australia and New Zealand Bank, which began a joint venture with Vientiane Commercial Bank. More competition in the national banking sector is leading to improved quality of service and increased access to finance for businesses in Laos (Law on Commercial Banks 2006, UN 2010). The new regulations included the following:

- Equal settings for locally-owned, state-owned and foreign-owned banks in terms of minimum capital and branch network
- Compensating actions for seriously under-capitalised banks
- Requirements to resolve bank insolvency.

The Lao financial sector is still at an early stage of development – especially in comparison with countries showing a similar level of GDP per capita. Most loans are short-term and are addressed to private clients.

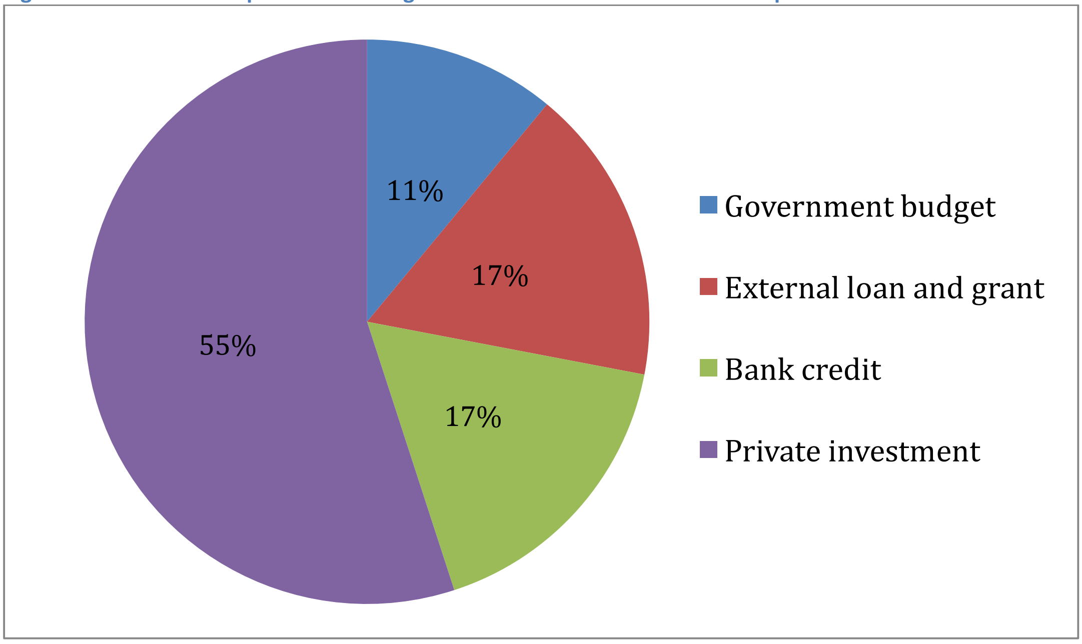
Efforts have been made to further liberalise the sector. Commercial banks were able to determine their own savings rates unrelated to the government’s minimum rate until late in 2015, when the Bank of Lao PDR (BoL—Lao Central Bank) issued a new regulation requiring savings rates to be within 2% above inflation rate of the previous year and lending rate to be within 4% above the savings rate. The interest rate spread (lending rate minus deposit rate) in Laos was 19.6% in 2010, significantly higher than in Thailand (4.9%) or Vietnam (1.9%). Furthermore, customers can now hold foreign currency accounts, as transfer of foreign exchange within Laos is free (World Bank 2013).

At the moment, the national financial sector encompasses banking, insurance and capital markets. As an official interbank market within the money and foreign exchange markets is still lacking, cooperation between individual institutions takes place on an informal basis. The banking sector remains the driving force for the national financial system, while other markets (insurance and security exchange) have little impact on the economy (World Bank 2012).

In order to further the country's financial infrastructure, the BoL established a new IT system at the beginning of 2011. This has enabled interbank and money transfer in the long term, and support the National Payment System (NPS) and ATM pools. The International Finance Corporation helped the BoL to enhance the legal framework of the NPS, which supports commercial banks. The IT system already allows commercial banks to offer more diverse payment options such as payment of electricity bills via ATMs or mobile phones.

During the Seventh Five-Year National Socio-Economic Development Plan covering 2011-2015, the government has been strengthening the financial sector by accumulating foreign exchange, and by seeking more domestic and foreign revenues for socio-economic development. For next five-year period between 2016 and 2020, according to the Eighth Five-Year National Socio-Economic Development Plan, the government will focus on improving banking efficiency towards regional and international standards.

Figure 0: Investment Requirement during 8th National Socio-Economic Development Plan



Source: MPI 2016

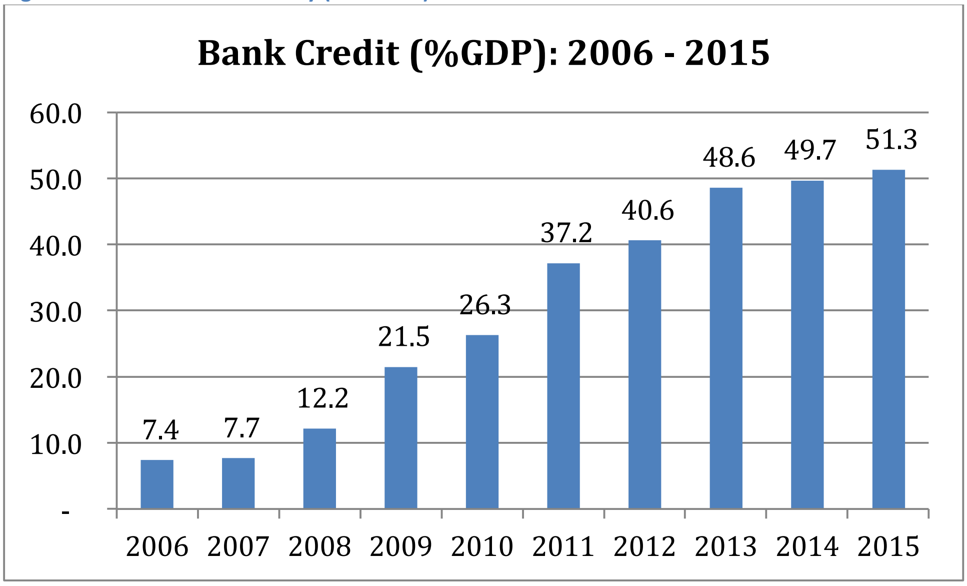
Monetary Policy

The BoL has introduced an open foreign exchange market, enabling the public to buy foreign exchange without the requirement of documentation and in unlimited amounts. The BoL also acts as a lender of last resort by supplying adequate foreign exchange to meet demand.

In 2015, due to capital inflows, Laos' balance of payment was estimated to have increased to a surplus of over US$100 million, from US$89 in 2014, with foreign reserves of around US$990 million, sufficient to cover 2.2 months of imports (IMF, 2015; World Bank, 2016). Although foreign reserve has improved from several previous years, when it was capable of covering about 1.5 months of imports, Laos remains vulnerable to external shocks.

The amount of credit to the economy moderated since the mid-2012, when credit grew 60%, according to the World Bank, as the Lao Central Bank attempted to maintain financial stability. Credit growth declined to 11% in mid-2015, but slightly rose after that in response to the BOL's measure to stimulate credit expansion by lowering policy rate from 5% to 4.5% in July 2015, first adjustment since 2010 (World Bank, 2016). In the following month, the BoL also imposed a new regulation on kip savings and lending rates, restricting banks to maintain a savings rate at a maximum of 2% above last year's inflation rate and lending rate within 4% above savings rate. As a consequence, both deposits and lending declined towards the end of 2015 (World Bank, 2016). Credit to the private sector is estimated to account for 79.4%; credit to state-owned enterprises consequently stood at 20.6% (BoL, 2016).

Figure 0: Credit to the Economy (% of GDP)



Sources: 2006-2010, World Bank (Ed.): Robust Growth Amidst Inflationary Concerns. Lao PDR Economic Monitor, May 2011 Update, Vientiane; all others, calculated from BoL Annual Economic Report (2016).

Total deposits at commercial banks grew by over 21.3% year-on-year in 2015, representing almost 52% of GDP. With growth Kip accounted for 52% of deposits.

Interest rates on commercial bank loan deposits were adapted in line with international economic conditions. Yearly interest rates for 12-month term deposits in kip fell to 6.125% while deposits in US dollars and Thai baht increased to 3.6% and 3.65% respectively (BoL, 2016).

Inflation, which is measured by the Consumer Price Index (CPI), has been kept at a single digit since 2005, and it has considerably decelerated since 2014 due mainly to drops in oil prices. CPI declined to 1.3% in 2015 from 4.1% in 2014 and 6.4% in a year earlier. By July 2016, inflation remained relatively low at an annualized rate of slightly under 2%, according to the BoL. Currently, commercial banks need to keep 5% of their reserves in kip and 10% in foreign currencies. Higher reserve requirements would make it more difficult for commercial banks to provide loans. The BoL has retained its policy of keeping the national currency stable against the US dollar and Thai baht by imposing a 5% floor and ceiling on exchange rate fluctuation.

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Banking Sector

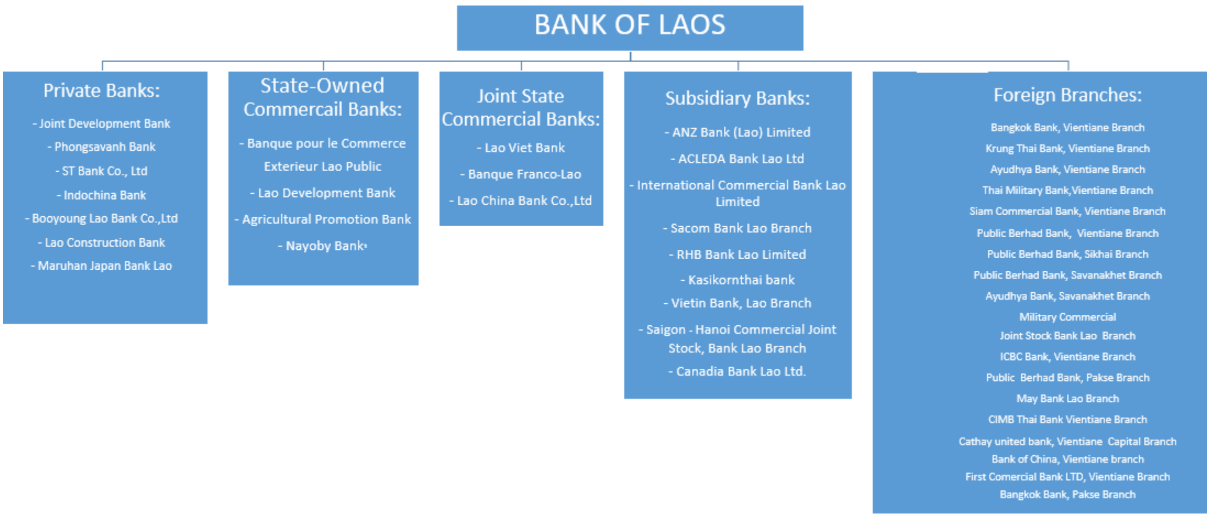
The Banking Sector grew from 25 to 40 commercial banks between 2011 and 2015, comprising of four state-owned commercial banks, three joint ventures between Laos' largest state-owned bank and foreign banks, 16 private banks—domestic and foreign affiliate, and 18 foreign bank branches.

In 2012, there were 383 branches and service units throughout the country, with bank access more developed in urban areas. This equates to a branch ratio of 5.9 per 100,000 inhabitants in 2012, an increase from 2.6 in 2010. In 2010, Thailand had a branch ratio of 11.2, Cambodia of 4.0 and Vietnam of 3.3. However, the amount of ATMs in the country increased to over 400 in 2011, showing a remarkable increase from 44 ATMs in 2007. More ATMs have been installed since then. The ATMs of different financial institutions are not necessarily interlinked.

In 2014, four banks including BCEL, Agricultural Promotion Bank, Lao Development Bank and Lao-Viet Bank had integrated their ATM systems, thus allowing their customers to use ATMs belonging to any of the four banks. Also in 2014, a project called Lao ATM Poll Switch (LAPS) was initiated, led by BCEL with the assistance of Chinese Development Bank, to create an inter-banks network of ATMs that will expand the network to eight banks. Other than the original four, banks that have signed to join the network include Joint Development Bank, ST Bank, Indochina Bank and Banque Franco-Lao. Despite the new IT system, the Lao banking sector is still lacking products and services. Although credit cards are issued by banks, fees are high and credits are normally limited by the amount of deposits customers are required to keep at the respective banks. For example, Banque Pour Le Commerce Exterieur Lao (BCEL), Laos' largest bank, requires one-time application fee of US$10-US$20 and annual maintenance fee between US$5 and US$30, depending on the type of card. Using credit cards issued by a foreign institution will incur 2.5% to 3.5% of the purchase value.

The chart below provides a detailed overview of the sector's structure:

Figure 0: Lao Banking System



Source: BoL 2015

The Bank of the Lao PDR plays a crucial role in the national banking system. It is the country's central bank, with the status of an independent legal entity and is responsible for setting lending and deposit rates as well as managing monetary policy. The BoL is also responsible for printing and circulating banknotes, regulating and supervising commercial banks and financial institutions, determining credit rules for commercial banks, and acting as the government's fiscal agent.

Current BoL policy includes diversifying origin of investments in the banking sector and diversification of types of products by encouraging the supply of non-traditional goods.

The BoL is governed by a board of directors consisting of seven to nine members, appointed by the prime minister. At the end of every financial year, the Bank is audited by an internal audit committee and by a Ministry of Finance audit committee. (Law on Bank of the Lao PDR 1995).

The framework for commercial banks is set out in the law on commercial banks. This law states that establishing a commercial bank or a branch requires approval from the BoL. Commercial banks are permitted to offer a range of services from receiving deposits and exchanging foreign currencies to distributing bonds or securities. To stabilise the banking system, all commercial banks are required to contribute a percentage of total deposits made (previous year) to a depositor protection fund (DFDL 2011).

The Banque Pour Le Commerce Exterieur Lao, or BCEL, is the largest state-owned bank and the main domestic financial institution in Laos. Since its establishment in 1975, BCEL has become a regionally competitive commercial bank and with 100 service units across the country in 2016, it has the widest coverage of any bank in Laos. The Lao Development Bank (LDB) is the nation's second largest bank in terms of deposits and assets (UN 2010, BCEL 2013).

The banking sector grew significantly between 2010 and 2015, with assets growing from roughly 50% of GDP to 95% of GDP. Over 2013 and 2015, banking sector assets increased from US$8 billion (or 70% of GDP) in 2013 to US$12 billion by 2015, mainly contributed by entries of new foreign bank branches from China, Thailand, Malaysia and Taiwan. Consequently, the share of foreign bank branches' assets has increased from 18% in 2013 to 26% in 2015 and the share of state-owned commercial banks reduced from 53% to 46% over the same period.

Insurance Sector

Since implementation of the insurance law in 1990, the government has allowed foreign investors to enter the insurance market. Until 2007, Assurances Generales du Laos (AGL, now Allianz General Laos) was the only insurance provider. Government policy in this area remains not fully developed and in need of amendment.

The insurance sector is regulated by the insurance law and it's implementing decree under the supervision of the Ministry of Finance. In the wake of WTO accession, the government has been pursuing reform in this sector. An amended insurance law was passed in 2011 and its implementation instruction was issued in 2014. When accomplished, this reform will shape the basis for insurance sector development and raise the level of insurance law to international standards (World Bank 2012, DFDL 2011).

Foreign investors in this sector usually form joint ventures with either the government or national investors. Currently nine registered insurance companies are doing business in Laos, with AGL holding the biggest share of turnover through more than 100 agents across the country.

Table : Insurance Companies in Laos

Company	Structure of ownership	Foreign ownership	Local ownership
Allianz General Laos	Joint venture	France	Ministry of Finance
Lane Xang	Joint venture	Vietnam	LDB
Lao-Viet Insurance Co.	Joint venture	Vietnam, BIDV Insurance Company	BCEL (29%) and Lao-Viet Bank (20%)
Mitsui Sumitomo Co. Ltd.	Joint venture	Japan	Ministry of Finance
PCT Asia	Foreign owned	Thailand	-
Toko Assurance Co. Ltd.	Joint venture	Malaysia	Ministry of Public Security
Prudential Life Assurance (Lao) Co. Ltd.	Foreign owned	United Kingdom	-
Bangkok Insurance (Lao) Co. Ltd.	Foreign owned	Thailand, Hong Kong, Indonesia	-
ST Meungthong Insurance	Joint venture	Thailand	ST Group

Although the insurance sector is expanding in Laos and the number of insurance companies is growing, the market is small. Since demand for personal coverage is low, over 90 % of annual insurance policies are associated with the commercial and industrial sectors. Companies mainly offer non-life insurance products: motor, property, vehicle and health insurance. The insurance law stipulates that insurance is required for all motor vehicles. However, the majority of local people do not have this kind of insurance. In 2010, only 10% of motor vehicles had insurance. Demand for personal coverage is low, about 0.01% of Life insurance as a % of GDP (Prudential, 2016),Laos's insurance density is among the lowest in the Greater Mekong Sub-Region, with insurance penetration reaching nearly 1% of GDP. However, the sector shows great potential with growing awareness among consumers and the emergence of middle and high income classes.

Lao Securities Exchange

The security market in Laos is one of the smallest in the world. The Lao Securities Exchange (LSX) started operations in January 2011 as a joint venture between the BoL (51% shareholding) and KRX, the South Korean stock exchange (49%). The LSX began by trading shares in two state-owned traders, EDL-Generation and BCEL and the bourse still has low trading volume with a market capitalisation of around 4,638 billion kip (approximately US$576 million). The LSX is still at an early stage of development, as its regulatory framework and market infrastructure but efforts are ongoing to attract more companies (World Bank 2012, DFDL 2011). From 2013, one company listed each year, making five companies traded on the LSX at the present and, in 2015, market capitalisation was 12,047 billion kip (approximately US$1.5 billion), according to the LSX annual report.

[Photo of LSX-Building]

Less than 0.1% of Lao people trade on the LSX and, in 2015, 99% of the 12,076 investors were individuals. In 2015, the average daily trading volume climaxed in August with 336,000 shares exchanged at a value of 2,198.6 million kip (around US$273,000), according to the LSX annual report.

Companies that wish to offer shares to the public in Laos must first obtain approval from the Lao Securities Commission (LSC). The commission was established at the end of 2010 to monitor the sale of securities in Laos. Issuing companies have to meet certain criteria in order to be entitled for listing:

- be incorporated as a public company;
- have a board of directors on which at least one-third of the directors are independent directors;
- establish an internal audit committee;
- adopt a plan for the use of capital, with a supporting resolution from the shareholders;
- prepare audited financial reports;
- be able to make a profit, have a good financial standing, and no doubtful debts;
- have a certificate of readiness for issuing shares from the securities company; and
- meet other conditions as determined by relevant laws and regulations.

The procedures for public offerings in the Lao PDR are as follows:

- announce an approval for public offering;
- determine the price of securities;
- advertise the public offering through public media;
- securities subscription and deposit of money;
- distribute securities;
- make payment or return of deposit in case the subscribers do not receive the securities; and
- issue the certificate of possession of securities.

A public offering must be made within 90 days of the issuance of LSC approval, extendable by 30 days with approval.

All of these steps must be conducted in a transparent manner, and companies are required to fulfil regular disclosure and reporting requirements.

Within five working days of completing the public offering, the company must provide a report to the LSC, which will certify the outcome of the public offering. A public offering will be unsuccessful if subscriptions are less than 80 percent of the total share offering. In such cases, deposits must be returned to the investors within five working days.

Issuing companies must be audited within the first quarter of the following year after the public offering by an external auditor pre-approved by the LSC.

An issuing company must disclose, via any means of media, quarterly financial statements, annual financial statements audited by an external auditor, annual reports, and any other information deemed relevant by the LSC.

Both individual and juristic persons can trade securities on the LSX. Foreign investors may buy stock of listed companies in the securities exchange subject to the regulations of relevant sectors, the resolutions of the shareholders of the listed company, and determinations made by the LSC. There are regulations on a list of business activities that are reserved for Lao citizens. This means that the foreign investors cannot buy the shares of listed companies conducting reserved business activities.

"Foreign investor" is defined as an investor who is from a foreign country. The designation "Foreign investor" includes individual investors and institutional investors. Institutional investors include securities companies, mutual funds, commercial banks, asset management companies, insurance companies and international organizations.

A securities company can be established in the form of a limited company, except a sole limited company.

For a foreign securities company wishing to establish a securities broker or securities underwriter, it must be a joint venture with a bank. At least one shareholder must be a commercial bank established under the Lao laws and such a commercial bank and other shareholders must hold at least 30% shares in the securities company.

For financial advisors, it must be a joint venture with a local individual or a legal entity established under the Lao laws and local shareholders must hold at least 10% shares in the securities company.

Foreign securities companies must have at least five-year experience in the securities, finance and banking or accounting sectors. It must also meet with other requirements as provided for in the Securities Law and regulations. One of these requirements concerns registered capital. The securities company must have registered capital as follows:

- 5 billion Kip for financial advisors;
- 30 billion Kip for securities brokers; and
- 100 billion Kip for securities underwriters.

Tax System

The Lao tax system appears well structured, but implementation can prove complex. Taxation has mainly been regulated by a Tax Law. The Tax Law originally came into force on 14 October 1995, and been amended 5 times, including the last iteration of the Tax Law (2015). The latest version the Tax

Law has amended the excise tax rates, income tax rates and addressed the deemed profit rate for calculation of the mandatory profit tax.

The tax law is complemented by an investment law, which governs precise tax provisions and incentives. Another supportive instrument is the Value Added Tax (VAT) law, effective since 2009 and amended in 2014

While in general the Tax Law follows international concepts of taxation, the application of the law may not always be in accordance with international best practice.

Furthermore, due to the limited diversity of the domestic commercial environment, the Law is often insufficient to deal with complex transactions. As such, it can be difficult to obtain rulings on certain tax issues from the tax authorities. In such instances, tax issues are finalized through direct negotiation with the Tax Department, particularly where there is no clear or specific directive in the Law.

The tax law is complemented by an Investment Promotion Law and Decree implementing the Investment Promotion Law, which govern precise tax provisions and incentives. Another supportive instrument is the Value Added Tax (VAT) Law, effective since 2009 and has been amended in 2014.

All individuals, legal entities and organizations conducting business, using goods or services, performing independent jobs and generating income in the country must pay taxes.

The following table gives an overview of the latest amendments to the tax law:

Table : Tax Rate Changes

Table 3.3 | Tax Rate Changes

	Tax Rate 2012	Tax Rate 2015
Profit Tax	0-24%	0-24%
Minimum Tax	N/A	N/A
Personal Income Tax	0-24%	0-24%
Lump Sum Tax	3-7%	3-7%
Environmental Tax	TBC	TBC
Tax on Dividends, Interest	10%	10%
Tax on capital gains	10%	10%, 2%
Tax on Lease Income	10%	10%
Tax on Sale of Land	5%	5%, 2%
Excise Tax	5-90%	3-90%
Value Added Tax	10%	10%
Fees and other Charges	TBC	TBC

The tax year starts on January 1st and ends December 31st (starts from January 1st 2017, a former fiscal year was from 1st October to 30th September).

Business operators have to maintain their accounts in accordance with the accounting law. Accounts must be kept for ten years and be available at all times for inspection by tax officers. Computerised accounting systems have to be registered, while foreign companies have to report on their performance on an annual basis and issue financial statements to the Ministry of Planning and Investment (MPI).

Profit Tax

Profit tax is levied on annual taxable profits derived from business operations, calculated in accordance with the Tax Law, unless the company is eligible for tax exemptions or concessional tax rates that are prescribed under the Investment Promotion Law or concession agreement.

To promote foreign investment, the amended tax law now sets profit tax rates comparable to those in neighbouring countries.

Payment of profit tax is either based on 1) the profit tax levied during the previous year, 2) on the actual profit during the ongoing year, or 3) on the predicted profit as stated in the tax payment plan. Payment is due in advance on a quarterly basis and it is possible to carry forward accruing excess payments and set them off against profit tax due the next year (DFDL 2012, UN 2010).

If a loss is declared, individuals or legal entities that pay profit tax must seek certification by the Audit Authority or an independent audit company and this must be acknowledged by the Tax Department. Losses can be carried forward the following three years but after that, remaining losses can no longer be set off against profit.

Following the tax law amendment the profit tax rate is 24% for domestic and foreign legal entities, unless otherwise provided under a concession agreement or applicable SEZ rules. Exemptions are provided for companies listed on the LSX, which obtain a reduction of 5% off normal profit tax for four years from the listing date, and will be charged the standard rate of 24% thereafter. Enterprises that produce, import and supply tobacco products are charged 26% of profit tax.

The progressive rates are shown in the following table:

Table : Progressive Rates of Profit Tax

Level	Taxable profit at each level (kip)	Basis of calculation (kip)	Tax rate	Profit Tax at each level (kip)	Total tax paid (kip)
1	3,600,000 and below	3,600,000	0%	0	0
2	3,6000,001–8,000,000	4,400,000	5%	220,000	220,000
3	8,000,001–15,000,000	7,000,000	10%	700,000	920,000
4	15,000,001–25,000,000	10,000,000	15%	1,500,000	2,420,000
5	25,000,001–40,000,000	15,000,000	20%	3,000,000	5,420,000
6	Above 40,000,000		24%		

Source: Tax Law 2015

Taxable profit
Profit is determined as the difference between total income and total deductible expenses across the tax year.

Business operation income for profit tax purposes excludes income from dividends received from investment in other enterprises, income tax that is declared and paid, recovery of all types of reserves, recovery of bad debts, deferred tax income and exchange rate gains resulting from evaluation of assets and debts. Business operation expenses which are not specified as non-deductible expenses in Article 34 of the amended Tax Law can be deducted. These include: depreciation of fixed assets, travel expenses for management/administrative works at 0.60% of total annual business turnover; entertainment expenses for guests, telephone cost at 0.40%; donations and support payments at 0.30%; and advertising expenses at 0.50% of annual business turnover.

A detailed list of deductible expenses and the depreciation rate of fixed assets can be found in the amended Tax Law on the Guide website (Article 35 and 36).

Non-deductible expenses include salaries paid to individuals and managers who are not employees, and expenses not directly connected to business operations such as golfing or other entertainment (Tax Law 2015).

Please see a detailed list in the amended tax law on the Guide website (Article 34).

Income Tax

Income tax is a direct tax imposed on the income of individuals or legal entities who generate income as provided for in the tax law. Every individual or entity that obtains income in Laos must pay income tax.

Foreign person working in the Lao PDR who receive their salaries in Lao PDR or abroad must pay income tax in Laos, unless it is provided for in the Double Taxation Agreement ("DTA") between the countries or there is an investment agreement between the Government and the investors that is approved by the National Assembly.

Since the amended tax law, Lao and foreign nationals are subject to the same progressive tax rates which range from 0% to 24%, as indicated in the following table:

Table : Progressive Rates of Income Tax

Level	Taxable salary at each level (kip)	Basis of calculation	Tax rate	Tax at each level (kip)	Total tax paid (kip)
1	1,000,000 and below	1,000,000	0%	0	0
2	1,000,001–3,000,000	2,000,000	5%	100,000	100,000
3	3,000,001–6,000,000	3,000,000	10%	300,000	400,000
4	6,000,001–12,000,000	6,000,000	12%	720,000	1,120,000
5	12,000,001–24,000,000	12,000,000	15%	1,800,000	2,920,000
6	24,000,001–40,000,000	16,000,000	20%	3,200,000	6,120,000
7	Above 40,000,000	16,000,000	24%	3,840,000	9,960,000

Source: Tax Law 2015

Compared to other nations, personal income tax rates in Laos are rather moderate. For instance, China's highest rate lies at 45%, whereas the Lao maximum is 24%.

Income subject to personal income tax encompasses salary, bonuses, overtime, position and title honoraria, benefits in cash or in kind, and allowances including housing and air tickets. Income tax on salary and remuneration has to be retained monthly by the employer and must be paid by the 15th day of the following month (Tax Law 2015).

The highest rate of personal income tax comes into effect at a taxable income level of US$5,047. In Thailand and Vietnam the highest rate of personal income tax is applicable at US$129,200 and US$3,840 respectively.

Other income tax rates under the amended tax law are as follows:

Table : Other Income Tax Rates

Table 3.6 | Other Income Tax Rate Changes

Description	Tax Law 2012	Tax Law 2015
Dividends, interest from loans, and security fees	10%	10%
Profits from the sale of shares	10%	10%, 2%
Lease of houses, land or other properties	15%	10%
Sale/purchase of land, transfer of land use rights	5%	5%, 2%
Intellectual property	5%	5%
Lottery winnings	10%	5%

Source: Tax Law 2015

The Tax Law imposes a withholding tax of 10% on gain on the sale of shares in a Lao PDR company. Under the Amended Tax Law, if there is a document certifying the original cost of the shares, the tax rate is 10% of any gain. However, if there is no document certifying the original cost of the shares, the tax rate will be 2% of the purchase price.

Individuals, legal entities and organisations conducting business in Laos and generating income are required to provide tax payments through the Lao banking system.

Lump Sum Tax

Lump sum tax was introduced by the amended Tax Law and is imposed on individuals and legal entities conducting small sized businesses (those with up to ten employees and turnover of up to 400 million kip) in manufacturing, trade and services. These businesses do not fall under the value-added tax system and are obliged to pay taxes in line with the arrangements between the tax authorities and taxpayers.

Small sized companies are exempt from lump sum tax if their business income is less than 12,000,000 kip. From 12,000,001-50,000,000 kip all activities are subject to an absolute rate of no more than 600,000 kip per year. For SMEs not registered in the VAT system with incomes of 50,000,000-400,000,000 kip the following tax rates are applicable (DFDL 2012, KPMG 2012):

Table : Lump Sum Tax Rates

Annual business revenue (basis for calculation)		Rate of Lump Sum Tax	
	Manufacturing	Trade	Service
50,000001–120,000,000 kip	3%	4%	5%
120,000,001–240,000,000 kip	4%	5%	6%
240,000,001–400,000,000 kip	5%	6%	7%

Tax Law 2015
Lump sum tax is to be paid on a monthly basis, every three months, six months or on an annual basis as determined in the agreement with the tax authorities.

Excise Tax

Excise tax is levied on import or domestic supply of particular luxury goods and services. Excise tax is payable on the following goods and services:

- Inflammable fuel
- Gas forvehicles
- Alcohol, beer, alcoholic beverages
- Soft drinks, soda, mineral water
- Cigarettes and other tobacco products
- Perfume and cosmetics
- Vehicles
- Electrical equipment (e.g. air conditioners, washing machines, refrigerators)
- Entertainment services and others (Tax Law 2015).

The margin of excise tax ranges from 3-90% and is payable by the importer/producer of specific taxable goods as well as by providers of taxable services. Payment is due to the tax authority either at the point of entry for imported goods or at the end of every month of production.

Following the amended tax law, excise tax rates were adjusted as indicated by the following table:

Table : Excise Tax Rates

Table 3.8 | Excise Tax Rates		
General goods	**Tax rate**	**Tax rate 2015**

	2012			
Inflammable fuel:		2016-2017	1/1/2018 onwards	
- Super gasoline	25%	35%	39%	
- Regular gasoline	20%	30%	34%	
- Diesel	10%	20%	24%	
- Aviation gasoline	10%	10%	14%	
- Lubricant, hydraulic oil, grease and brake oil	5%	5%	9%	
Gas for vehicles	10%	10%		
Alcohol or all types of alcoholic beverages		2016-2017	2018-2019	2020 onwards
- Alcohol or types of drink containing an alcohol level of 15% and over	70%	30%	50%	70%
- Alcohol, wine and other types of drink containing alcohol level of less than 15%	60%	25%	45%	60%
- Beer	50%	50%		
Ready-made Beverages				
- Carbonated drinks, soda, mineral water, fruit juice and other non-alcoholic beverages	5%	5%		
- Energy drinks	10%	10%		
Tobacco		2016-2017	2017-2018	2020 onwards
- cigars	60%	30%	45%	60%
- Cigarettes:, packaged cigarettes,		30%	45%	60%
- shredded tobacco		15%	25%	35%
- Other categories of tobacco		30%	45%	60%
Utensils or ornaments made from crystal	20%	20%		
All types of carpet with a price of 1,000,000 kip and above	15%	15%		
Furniture with a price of 10,000,000 kip and above	15%	15%		
Perfumes and cosmetic products	20%	20%		
Playing cards and other gambling utensils	90%	90%		
Rockets, fireworks, and crackers	80%	80%		
Vehicles				
1. Motorbikes				
1.1. Motorbikes which use fuel				
From 110 cc or less	10%	20%		
From 111 cc–150 cc	15%	30%		
From 151 cc–250 cc	20%	30%		
From 251 cc-500 cc	25%	60%		
From 501 cc and above		80%		
1.2. Motorbikes that use clean energy		5%		
1.3. Motorbike components and spare parts		5%		
2. Transport Vehicles				
2.1 Small transport vehicles that use fuel energy: automobiles, jeeps, mini-vans, pick-up trucks	All cars subject to an excise tax between 25% and 90% subject to			
Less than 1,000 cc		25%		
1,001 to 1,600 cc		30%		
1,601 to 2,000 cc		35%		
2,001 to 2,500 cc				

2,501 to 3,000 cc 3,001 to 4,000 cc 4,001 to 5,000 cc 5,001 and higher 2.2 Small transport vehicles that use clean energy: automobiles, jeeps, mini-vans, pick-up trucks 2.3 Small transport vehicles (pick-up 2 door) where the trail is 50% longer than the length from the center of the front wheel to the rear wheel: - That use fuel energy - That use clean energy 2.4 2.4 Medium sized transport vehicles: - That use fuel energy - That use clean energy 2.5 Large transport vehicles: - That use fuel energy - That use clean energy	engine and type as determined in Presidential Decree	40% 45% 70% 80% 90% 10% 10% 5% 8% 5% 5% 3%
3. Components *and* spare parts of all categories of transport vehicles	10%	5%
Vehicle accessories	15%	20%
Speed boats, yachts, motorized sport boats, including their components	15%	20%
Satellite receivers, audio and visual players, cameras, telephone, audio and visual records, musical instruments including their equipment and components	10%	20%
Electrical equipment: air conditioners, washing machines, vacuum cleaners, fridges and refrigerators	10%	20%
Billiard or snooker tables, bowling apparatus, football tables	20%	30%
All types of game playing devices	30%	35%

Services		2016-2017	2018-2019	2020 onwards
Entertainment services: bars, discotheques and karaoke	60%	10%	20%	35%
Bowling activities	10%	10%		
Cosmetic and beautician services	10%	10%		
Telephone service, cable TV, digital TV, internet services	10%	10%		
Golf activities	10%	10%		
Lottery activities	25%	25%		
Casino activities and slot-machines	80%	35%		

Source: Tax Law 2015

Value Added Tax

VAT is levied on the value-added proportion of goods and services during the whole business process, from manufacturing and distribution, to supply of services and consumption. It was introduced in Laos in January 2010 at the rate of 10%. The VAT Law was amended in 2014. The latest VAT Law is the VAT Law No. 52/NA, dated 23 July 2014 and promulgated in January 2015.

The VAT Law provides for a domestic VAT rate of 10%, while a 0% rate applies to the export of goods. The zero (0%) rate also applies to materials and machinery used in production whether domestically produced or imported, provided that such machinery cannot be produced domestically or is not produced at a sufficient volume. These items must be used for the production and investment and must forms part of the taxpayer's fixed assets.

Suppliers of goods and services registered under the VAT regime have to impose VAT on the price of goods and services. Taxpayers charged VAT (output VAT) have the right to offset VAT paid on goods and services (input VAT) by the taxpayer. The volume of VAT depends on the difference between VAT output and VAT input.

Included in VAT system	**Exemptions from VAT system**
Business operators	Importation and sale of non-processed agricultural products
Importers of goods and services	Plantation of industrial, fruit and medicinal trees
Non-residents of Lao PDR who supply services to customers in Laos	Importation and sale of all types of crop seeds, animals for breeding, animal feeds, vaccines
	Importation of aircraft and equipment to be used for domestic and international air transportation
	Importation of goods for diplomatic personnel embassies, international organisations and educational supplies and services
	Deposit and lending interest of commercial banks or financial institutions authorized by the Bank of Lao PDR
	Health insurance, life insurance, domestic animal insurance and tree plantation insurance
	Vehicles for specific purposes (e.g. ambulances)
	Goods and services donated to aid projects as defined in the agreements, treaties, contracts that the government has signed

Fees

Investors requiring official documents from the government or using public services have to pay certain fees and charges. Fees are levied on tax registrations, registration licences, permits, certificates or other official documents, entry into and the exit from the country, the issue of visas to enter and exit the country, residency in Laos, the use of radio and television satellite receivers, the affixing of advertising signs, shop signs, and other services.

The rates of fees and administrative charges are determined in decrees and are amended from time to time (Tax Law 2015).

Double Tax Agreements

Laos has signed double taxation agreements with several countries. Investors from these states are excluded from paying double profit tax and income tax.
Laos has double taxation treaties with:

- China
- North Korea
- South Korea
- Luxembourg
- Russia
- Thailand
- Vietnam
- Brunei
- Indonesia
- Kuwait
- Malaysia
- Myanmar
- Belarus
- Singapore

Import and Export Duties

Import and export duties are levied on all goods, unless there is an agreement with the government on exemptions. The calculation basis for export goods is their actual worth, while import duties are based on their actual worth plus their insurance and transport costs.

Import and export duties are collected at the point of entry in order to release the goods from customs. Companies operating under the investment law can gain exemptions from import duties for specific goods necessary for production (DFDL 2011). Information on import duty is accessible through Lao Trade Portal.

Lao PDR is a party to the following Free Trade Agreements:

ASEAN Trade in Goods Agreement (ATIGA);
ASEAN-Australia/New Zealand FTA (AANZFTA);
ASEAN-China FTA (ACFTA);
ASEAN-India FTA (AIFTA);
ASEAN-Japan Comprehensive Economic Partnership (AJCEP);
ASEAN-Korea FTA (AKFTA)

In these agreements, Lao PDR has committed to reduce the Customs Duty Rates for goods originating from ASEAN and the countries named above subject to the Rules of Origin (**"ROO"**) in each agreement.

Investment System

Since 2009, the Investment Promotion Law has provided the main legislative framework for both domestic and foreign investment in Laos. The National Assembly approved a fusion of the laws on domestic and foreign investment to harmonise and standardise the requirements, procedures and incentives for foreign as well as domestic investors (UN 2010).

The law has decreased the time it takes to get approval for business ventures across Laos. It determines which sectors are open to investment, the possible forms of investment, incentives, the rights and duties of investors, and the investment licensing process (DFDL 2011).

Amongst the provisions of the joint law are: lower foreign shareholding requirements for businesses; same tax exemptions for local and foreigners; longer investment terms; changes to licensing authorities and procedures (→ 10. Investment Procedures); access to an improved one-stop service (DFDL 2011, UN 2010).

The Investment Law (2009) has been amended in November 2016. The implementation of this Law amendment is however being pending at the time of updating this Investment Guide. The information of this session is therefore still based on the Investment Law 2009.

Regulatory authorities for investment

The Committees for Promotion and Management of Investment (CPMI) at central and local levels are the authorities in charge of facilitating investment proposals.

At central level, the Minister for Planning and Investment is the chairman of the CPMI. Additionally, the Investment Promotion Department (IPD) within the Ministry of Planning and Investment is responsible for operational management and serves as a one-stop service unit (OSU) for investments in concession-related business and special economic zones. There is also an OSU at the Ministry of Industry and Commerce for investment in general business.

At local levels, the provincial governor chairs the CPMI, which uses the Provincial Department for Planning and Investment as a one-stop service unit (IPD 2011).

Investment Promotion

The government provides incentives for foreign investment in accordance with the sectors (activities) and geographic zones listed in its investment promotion scheme. These incentives include reduced corporate profit tax, duties, and import tariff exemptions on capital equipment and production inputs. Exemptions from profit tax are also generally granted to certain business activities and large investment projects.

Business sector that are granted incentives includes:

1. High and modern technology application, scientific research, research and development (R&D), innovative, environmental-friendly [technology] application, and efficient use of natural resource and energy;
2. Clean, toxic-free agriculture, planting seed production, animal breeding, industrial plantation, forestry development, protection of environment and bio-diversity, activities promoting rural development and poverty reduction;
3. Environmental-friendly agricultural processing industry, national traditional and unique handicraft processing industry;
4. Environmental-friendly and sustainable natural, cultural and historical tourism

development industry;
5. Education, sports, human resource development and labor skill development, vocational training centers, production of educational and sports equipment;
6. Construction of modern hospitals, pharmaceutical and medical equipment factory, production of and treatment by traditional medicine;
7. Investment, service provision and development of public infrastructure for urban traffic congestion reduction, infrastructure development for agricultural production, transit services and international linkage;
8. Policy banks and micro-finance institutions, focusing on poverty reduction for people and communities who have less access to a bank;
9. Modern commercial centers promoting domestic products and world-renowned brands.

Business sector to be granted incentives as above shall have an investment value of more than 1.2 billion Kip; using fifty or more Lao national employees with employment contract of at least 1 year.

Incentives by zone is defined into three zones:

Zone 1: remote zone with socio-economic infrastructure unfavorable to investment;
Zone 2: zone with socio-economic infrastructure favorable to investment;
Zone 3: special economic zone.

Article 11 (Improved) Profit tax incentives by business sector and by zone

Investors investing in sectors and zones defined in Articles 9 and 10 of this Law shall receive the following profit tax exemption:

Zone 1: exemption for **ten years**, **additional five years** for investment in sector of agriculture, education and public health as set out in section 2, 5 and 6 of Article 9;
Zone 2: exemption for **four years**, **additional three years** for investment in sector of agriculture, education and public health as set out in section 2, 5 and 6 of Article 9.

The above exemption periods shall be counted from the year the investing enterprise produces, supply goods and services, generates business revenues; the exemption periods for production of new products, research and development of new technology, shall be counted from the year of generating profit. Upon expiration of above exemption periods, profit tax obligations shall be performed according to the Tax Law.

The Government shall issue specific regulations for implementation of profit tax exemption incentives.

Article 12 (Improved) Tax and duty incentives

Tax and duty incentives granting to investors in the Lao PDR include:
1. Import of materials, equipment which may not be supplied or produced in the Lao PDR, to form the fixed assets, and of machinery and vehicles directly used for production which may not be purchased or produced domestically (excluding fuel,

gas, lubricant and administrative vehicles), receiving duty exemption and paying value-added tax at the rate of 0%;
Temporary import of machinery/vehicle shall comply with relevant laws.

2. Import of raw materials, equipment and parts to be used in the production for export shall comply with the Value-Added Tax Law regarding the exemption or charge at the rate of 0%, and shall be exempted from duty payment at the time of import and granted duty exemption at the time of export;
3. Use of domestic raw materials for producing finished and semi-finished products for export shall pay value-added tax at the rate of 0%; export of unprocessed natural resources as finished products, shall pay value-added tax at the rate of 10%;
4. Profit tax for concession business shall comply with relevant laws or the relevant agreement.

The Government shall issue the list of semi-finished products, minimum rate of profit tax for concession business related to land lease, mining, energy, plantation and other concession businesses.

Article 13 Access-to-finance incentive

Investors received access-to-finance incentives shall allow to borrow from commercial banks and other financial institutions in the Lao PDR as well as overseas according to relevant laws and regulations.

Article 14 (New) Incentives for investment expansion and other tax, duty incentives

Investors who re-invest their net profit for additional investment will receive the following incentives:

1. Profit tax exemption for the next accounting year.
2. Investment expansion and/or operation expansion through importation of new capital will also receive relevant investment incentives as per this Law;
3. Annual loss, if any, as certified by the relevant tax authority may be carried over next three [consecutive) years, upon such period the remaining losses will not be allowed for deduction from the profit.

The following map indicates the location of priority areas at district level:

Map 4: Investment Promotion

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The following table summarises profit tax rates for the different investment options available:

Table : Profit Tax Exemptions by Activity and Zone

No. of years of profit tax exemption			
Zone 1	10 years	6 years	4 years
Zone 2	6 years	4 years	2 years
Zone 3	4 years	2 years	1 year

Source: Investment Promotion Law (2009).

The profit tax exemption starts from the date the investment enterprise carries out its operations. For the production of new products, research and creation new technology activities, the profit tax exemption commences from the date the enterprise starts making profit.

If the enterprise does not qualify within any of the above categories or the profit tax exemption period is over, then the enterprise must pay profit tax in accordance with the laws and regulations.

In addition to the profit tax incentives, foreign investment may also entitled to the following incentives:

- The profit used for expansion of licensed business activities shall be exempted from profit tax during the accounting year;
- Exemption from import duties and taxes on raw materials, equipment, and vehicles used directly for production;
- Exemption from export duty on export products;

Note however that no exemption from import duties and taxes on importation of all types of fuel.

A detailed list of the investment promotion zones can be found on the Investment Guide website.
In addition to incentives related to profit tax, investors are also entitled to incentives related to other taxes and customs duties, as described in articles 52, 53 and 54 of the investment promotion law.

Special Economic Zones and Specific Economic Zones

To achieve the targets of the latest National Socio-Economic Development Plan (2016-2020), the government, with donor support, has been developing the country's infrastructure in order to stimulate industry. In addition, several tax exemptions and other incentives have been introduced to attract more investment.

The Investment Promotion Law, which is currently being revised, provides for the implementation of Special Economic Zones (SEZ) and Specific Economic Zones as part of the investment incentives. SEZs may consist of various Specific Economic Zones, which are targeted at specific sectors such as industry, export production, tourism or duty-free trade. The law governing Special Economic Zones is being considered by the NA which will be passed by the NA by 2017.

According to the investment promotion law, an SEZ is an area which may provide facilities for business operation and can establish social and economic infrastructure and institutions. The aim of SEZs is to develop the economy at a faster pace on at least 1,000 ha. SEZs receive special promotion privileges and have an autonomous economic and financial system. The government authorises investors, both domestic and foreign, who want to invest in SEZs and offers two options for investments:

- Investment as project developers in the Special Economic Zone's infrastructure and becoming part of the Economic Executive Board
- Investment in business operations within an existing Special Economic Zone

SEZ management falls under the responsibility of the Lao National Committee for Special Economic Zones (NCSEZ), its secretariat office, relevant ministries and provincial authorities, plus the board of the SEZ.

Table : Comparison of Special and Specific Economic Zones

Special Economic Zone	Specific Economic Zone
Designated to be developed into a new and modernized town	Developed as industrial zone, processing zone, tourist area, free trade zone, etc.
Community gets involved in the development	
Establishment must be approved by NSEZ-Committee and signed with the government	
Managing by Administrative Committee (Chaired by government) and the Economic Executive Board (Chaired by developer)	Economic Executive Board has full authority to manage (Chaired by developer)
Ownership structure: • Government 100% • Joint Venture (Government and private sector)	Ownership structure: • Government 100% • Joint Venture (Government and private sector) • Private 100%

Source: NCSEZ 2016

Table : Approved SEZs in Laos

Nr.	Name of SEZ	Year of establishment	Location	Objective	Developer
1	Savan-Seno Special Economic Zone (SASEZ)	2003	Savannakhet Province	Trade, service, industrial processing	Government 100%
2	Boten Beautiful Land Specific Economic Zone (BLSEZ)	2003	Luang Namtha Province	Service, trade	Private 100% (Chinese)
3	Golden Triangle Special Economic Zone (GTSEZ)	2007	Bokeo Province	Service, trade	Joint Venture GoL and Private (Chinese)
4	Phoukhyo Specific Economic Zone (PSEZ)	2010	Khammouane	Trade, service, industrial processing	Private 100% (Lao)

5	Vientiane Industry and Trade Area (VITA Park)	2009	Vientiane Capital	Industrial processing, trade	Joint venture (30% GoL and 70% Chinese/Taiwan)
6	Thatluang Lake Special Economic Zone (TLSEZ)	2011	Vientiane Capital	Service, trade	Private 100% (Chinese)
7	Saysettha Development Zone (SDZ)	2010	Vientiane Capital	Industrial processing, trade	Government and Private (Lao & Chinese)
8	Longthanh - Vientiane Specific Economic Zone	2008	Vientiane Capital	Service, trade	Private 100% (Vietnamese)
9	Dongphosy Specific Economic Zone	2009	Vientiane Capital	Trade, service, industrial processing	Private 100% (Malaysia)
10	Thakhaek Specific Economic Zone	2012	Khammuane Province	Service, trade	Government 100%
11	Luang Prabang Special Economic Zone	2016	Luang Prabang Province	Service, Electronic Industry,	Joint Venture (30 % GoL and 70% Vietnamese)
12	Champasak	2015	Champasak Province	Industrial processing	Private 100% Lao

Source: NCSEZ 2016 and (http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone?start=5)

The following list indicates fees and investment terms in existing SEZs, shown prices can differ:

Table : Fees and Duration of Investment in SEZs (US dollars)

Nr.	Name of SEZ	Land tenure for investment	Land leasing	Electricity	Water fee
1	**Savan-Seno Sepcial Economic Zone (SASEZ)**	75 years	$0.3/m^2$/year	$0.088/KWh	$0.68/m^2$
2	**Boten Beautiful Land Specific Economic Zone (BLSEZ)**	50 years	n/a	n/a	n/a
3	**Golden Triangle**	50 years	n/a	n/a	n/a

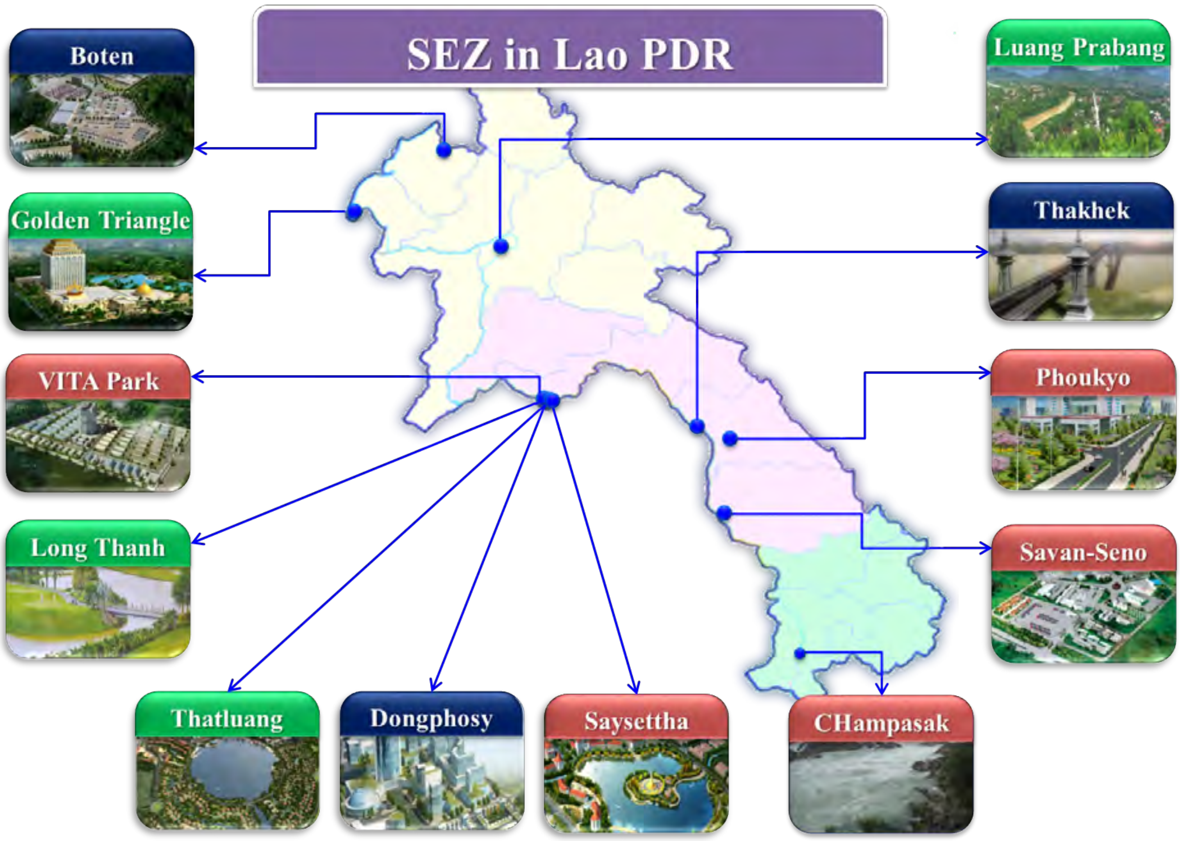
	Spcial Economic Zone (GTSEZ)				
4	**Phoukhyo Specific Economic Zone (PSEZ)**	99 years	\$0.2–0.25/m^2/year	\$0.06–0.08/KWh	\$0.07–0.79/m^3
5	**Vientiane Industry and Trade Area (VITA Park)**	75 years	\$0.025-0.06/m^2/month	\$0.059-0.065/Kwh	\$0.25-0.35/m^3
6	**Thatluang Lake Special Economic Zone (TLSEZ)**	99 years	n/a	n/a	n/a
7	**Saysettha Development Zone (SDZ)**	50 years	n/a	n/a	n/a
8	**Longthanh - Vientiane Specific Economic Zone**	50 years	n/a	n/a	n/a
9	**Dongphosy Specific Economic Zone**	50 years	n/a	n/a	n/a
10	**Thakhaek Specific Economic Zone**	75 years	\$0-0.19/m^2/month	\$0.059-0.065/Kwh	0.05/m^3
11	**Luang Prabang Special Economic Zone**	99 Years	n/a	n/a	n/a
12	**Champasak Special Economic Zone**	50 Years	n/a	n/a	n/a

Source: NCSEZ 2016 and (http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone?start=5)

Benefits of Investments in Special Economic Zones

Companies investing in SEZs receive tax incentives: investors receive a temporary profit tax exemption (e.g. 2–10 years at Savan-Seno Special Economic Zone) while income tax and VAT are negotiated between the SEZ Management and Economic Boards in consultation with the NCSEZ. Once the initial temporary profit tax exemption expired, the continued profit tax rate applied, amounts 50 % of the rate valid outside of the SEZ. Zero import customs duty rates for raw materials and equipment used within SEZs come into effect. The management board is responsible for administrative matters, while the economic board is in charge of investment matters. Laos plans to develop 25 Special Economic Zones and Specific Economic Zones by 2020, hoping to attract FDI of about US$3 billion (NCSEZ 2012).

Current state of Special Economic Zones:
Since the zones are a fairly new concept, some issues remain with planning and funding. The government intends to concentrate on developing the existing SEZs and building a favourable business environment for SEZs in other regions. Priority is directed to processing industries for export and to creating e-commerce systems to facilitate export to neighbouring countries. At the present time (2017), Savan Seno Special Economic Zone and Vientiane Industry and Trade Area (Vita Park) can be considered as suitable SEZs for manufacturing purposes. It can be assumed, that investment procedures within Special Economic Zones provide a variety of simplifications and advantages in terms of bureaucracy and speed-up realisation of a potential investment in Lao PDR.



PART III

Investment Procedures

Foreigners are permitted to invest in all sectors of the Lao economy as well as in all geographic areas, with exception of certain sectors/activities reserved for national security and environmental protection, i.e. weapons and drugs manufacturing, investigation and security activities, central banking activities, plus activities relating to foreign affairs, national defence and political organisation.

The information of this session is still based on the Investment Law 2009 as the implementation of the new amendment law in 2016 is being pending at the time of updating this Investment Guide.

There are also a couple of limitations on foreign equity participation: at least 10% of foreign capital is needed in joint ventures, and capital invested in foreign currency must be exchanged into kip.
The minimum required capital depends on the activities to be conducted by the company. Foreign-owned enterprises that have one or more foreign investors must have a minimum registered capital of at least one billion kip. Throughout the entire operational period of a foreign enterprise, the assets of the company may not sink below its registered capital (FAO 2011). (→ Company Registration)

Forms and Terms of Investment

The investment promotion law defines three types of investment:

1) General business
2) Concession
3) Development of Special Economic Zones and Specific Economic Zones.

The majority of investments in Laos are general investments, e.g. restaurants, consulting companies or law firms. These general businesses still require government approval but as standard investments procedures are rather well structured.

Some investments require a specific concession agreement signed with the government. Concessions are special kinds of investment activities authorised by the government and offering ownership and other rights in line with regulations for specific investment sectors. Concessions transfer land to companies, which are then responsible for their investments. Special conditions such as tax incentives maybe offered in exchange for the large scale investment needed. The government determines the list of concession activities.

Among investments requiring a concession are:

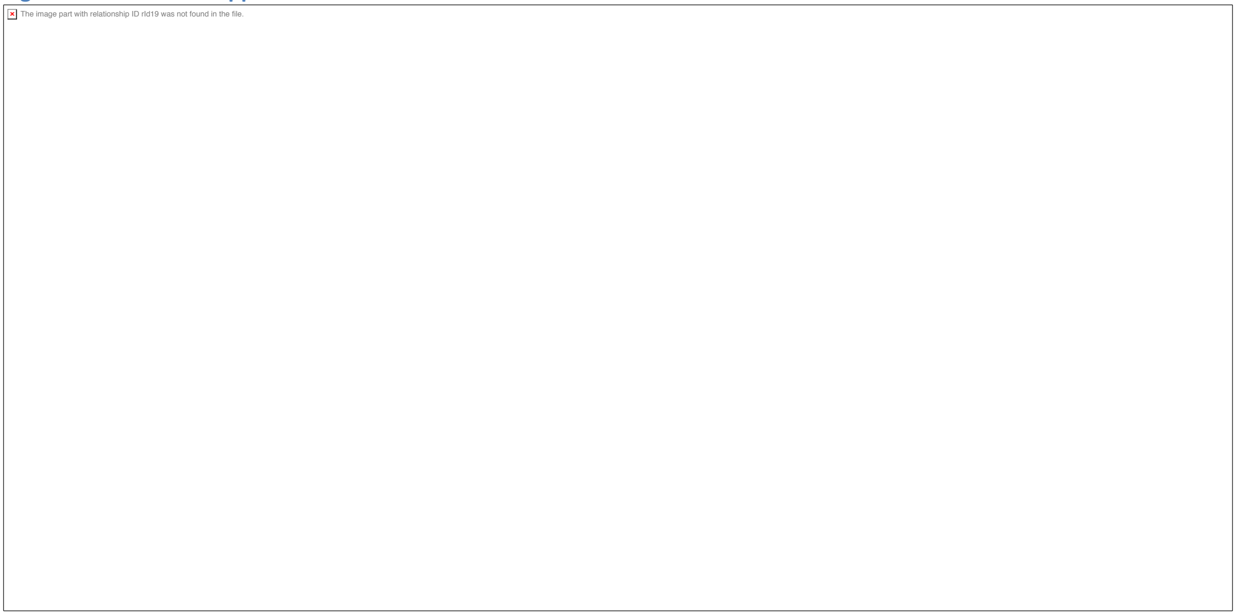
- Mineral exploration and exploitation
- Hydropower
- Electricity
- Land
- Telecommunications
- Airlines
- Insurance
- Financial institutions (Investment promotion law 2009)

For a more detailed overview of the concession activities in Lao PDR please visit the Investment Guide website.

The government keeps ownership stakes in these sectors. If state interests conflict with private ownership, the state is in a privileged position to influence the company's further operations (US Commercial Service 2012).
Licences for general business can be obtained from the Ministry of Industry and Commerce (MoIC), while concession licences are issued at the MPI and licences for the development of SEZs at the National Committee for Special Economic Zones (Investment promotion law 2009).

Foreign investors can also invest in SEZs. The organisation and activities of SEZs are determined in separate regulations and interested investors apply directly to the relevant SEZ (Investment promotion law 2009).

Figure 0: Investment Approval Procedure



Source: IPD 2011

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Approval procedures for general business

Investors must submit their application at the MoIC through the following steps:

Figure 0: General Business Approval Procedures

Investor submits application to Ministry of Industry and Commerce

Business in non-controlled sector

Business in controlled sector

Issue of Enterprise Registration Certificate within ten working days

Request for comments from responsible ministry/department within ten working days

Issue of Enterprise Registration Certificate within three working days

IPD 2011

*

Businesses falling under controlled sectors include, for instance, trade in gold or casino operations.

An enterprise registration certificate approves the registration for pursuing business in accordance with the law. This covers investment approval, promotion policies, tax licence and business authorisation issued by responsible authorities. After receiving the enterprise registration, investors can start business operations immediately. There are no limited investment durations for general business.

Documents required for application of a general business registration certificate are:

- Business registration forms from MoIC
- Business plan or feasibility study
- Joint venture agreement (if applicable)
- Draft articles of association for the enterprise
- Certified corporate income tax receipts for the previous three years
- Other certified documents:
  - Biographic information
  - Copy of passport
  - Police statement on any criminal record (applicable for domestic investors only)
  - Photographs of the General Manager (IPD 2011)

Approval procedures for concession operations
The MPI is the authority responsible for investment in concession and requires the following procedures:

Figure 0: Concession Approval Procedures

Negotiation enquiry: Investor submits application to IPD
Pre-approval of negotiations: CPMI meeting for approval to present the case to the government
Approval of Negotiations: Submission of report to government/provincial authorities
Negotiations: IPD acts as single point of contact for the investor
Internal concession approval: MPI presents negotiation results and asks for approval from Government Office to sign the agreement
Final concession approval: Agreement signing between the investor and MPI and issue of concession licence by MPI

IPD (2011)

The concession registration certificate includes the enterprise registration certificate, investment approval, promotion policies, tax licence and business authorisation. Upon receipt of the concession registration certificate, investors have to start their business activities within 90 days (Investment promotion law 2009). Required documents for concession activities are:

- Investment forms from CPMI
- Business plan
- Joint venture agreement (if applicable)
- Draft Articles of Association of the enterprise which will be established in Laos
- Certified documents for corporate income tax paid for the past three years
- Other certified documents
  - Biographic information
  - Copy of passport
  - Copy card and criminal record (applicable for domestic investors)
  - Photos of the presumable General Manager (IPD 2011)

Investors interested in applying for a concession have to file ten sets of the aforementioned documents.

Concession agreements can be amended based on the approval of both parties (investor and authority).

The terms of investment depend on several factors, such as nature, size or investment value, but shall under no circumstances exceed 99 years.

Approval procedures for investment in Special Economic Zones and Specific Economic Zones
Investors interested in SEZs must hand in their application at the OSU of the management committee for the relevant SEZ. Investment periods for SEZs and Specific Economic Zones may not exceed 99 years.
OSUs offer relevant information for the investment, and also issue enterprise registration certificates or concession registration certificates (Investment promotion law 2009).

Figure 0: OSU Responsibilities

OSU

Supply investors with responses regarding their investment application

The OSU serves as the central body for representatives from the main ministries to meet. These relevant ministries include planning and investment, industry and commerce, finance, public security, labour and social welfare, foreign affairs and other ministries (Decree on Implementation of the Investment Promotion Law 2011).

Reports of general business activities and concession agreements
The new investment promotion law requires the submission of quarterly and annual reports to the MoIC. These reports must include the following information:

- Imported capital
- Value of assets
- Record of compliance with custom and tax obligations
- Use of domestic raw materials
- Value of exported commodities
- Workforce used within the company
- Implementation of social welfare regime (IPD 2011).

Companies who do not provide these reports on their general business activities will not obtain the investment promotion incentive and may be charged with violation of investment rules and regulations. The same applies for concession agreements; all investors need to hand in quarterly and annual reports to the IPD in order to retain the concession agreement (IPD 2011).

Protection of Investment

The investment promotion law governs the protection of investment including protection against seizure and against confiscation or nationalisation. Furthermore, it grants investors the right to lease land as well as the right to transfer leaseholder rights. Investors are in return obliged to protect the environment and health of their employees and to contribute to the preservation of public and national security (investment promotion law 2009).

Company Registration

Laos is said to be among the most difficult nations worldwide when it comes to starting and conducting a business, mainly because of the time involved in these processes. Furthermore, access to high quality business development services (BDS) for start-ups and existing SMEs is limited. BDS in Laos focus on larger, state-owned enterprises, donors or FDI enterprises, having little knowledge and few resources for the SME market. In addition, those offered services that are available do not match the demand from business (McDonald Steed McGrath 2012a, Ministry of Industry and Commerce 2012). In order to close this gap between providers and SMEs, a BDS network (Introduction of other stakeholders) was established in 2011.

Before applying for a company registration, investors need to be aware that not all industries are open to foreign investment (→ Investment Procedures)

Business forms are regulated by the enterprise law. The law applies to both domestic and foreign-investment enterprises and primarily addresses issues dealing with the formation, management, operation, and dissolution of business structures (DFDL 2011).

Although the enterprise law does not state any minimum regarding the registered capital *per se*, investment promotion law regulations apply for foreigners and these require a minimum of 1 billion kip (about US$125,000) per investor. In comparison the minimum foreign investment required for Thailand is about US$60,000, for Cambodia US$1,000 and for Indonesia US$100,000.

The various forms of enterprise listed under the enterprise law and the investment law are as follows:

Table : Forms of Enterprise

Representative Office	Local representative of a foreign company
Affiliate Company	Capital is under the control of another company. Separate legal status between mother company and affiliate company.
Branch	Part of a partnership or of a company without independent legal entity status
Limited Liability Company	2-30 shareholders (or a single corporate shareholder)
One-Person Limited Company	One shareholder
Partnership	Partners start contractual enterprise
Public Limited Company	More than seven shareholders

In most sectors of industry there are no constraints in terms of the maximum level of foreign participation. However, tourism, mining, and electricity do require a domestic or government-equity share. When possible, the majority of investors in Laos choose to implement 100% foreign-owned limited companies (DFDL 2011).

In general, foreign investors are entitled to the following rights:

- Protection of their investment
- Multiple-entry business visas for themselves and their families
- Protection of intellectual property
- Feedback profits, capital, and other income after full payment of duties
- Permission to hold bank accounts in kip and foreign currency.

Representative Office

A representative office embodies a legal entity registered in a foreign country in order to provide a formal, recognised presence in Laos for collecting data, e.g. on investment opportunities and/or to assure coordination between ministries and the head office overseas.

The term of a representative office is one year and can be extended twice, making it three years in total. The head office of the Representative Office has the option of extending this period by signing a Memorandum of Understanding (MOU) or agreement with the government to collect certain data for a project for a longer time (McDonald Steed McGrath 2012a). Representative offices are not allowed to perform commercial activities or to generate income.

Limited Company

Limited company is the most common business structure for foreign investments in Laos, both for wholly foreign-owned firms and for those with a Lao partner. One reason for this is the rather simple management structure of such entities. Shareholders of a limited company are liable for the company's debts not exceeding the amount of registered capital. The minimum registered capital depends on the activities to be conducted by a limited company as set out in the relevant laws and regulations. The shareholders assign the managing director or a board of directors. If the limited company consists of multiple shareholders, the enterprise law provides a "contract of incorporation" with the following steps:

- Founders have to obtain subscriptions for the shares
- Incorporation meeting in order to decide on the ratification of the contract of incorporation, articles of association as well as the election of directors
- Founders have to apply for enterprise registration with the MoIC.

A company with more than 30 shareholders has to pass a special resolution to keep its status as a limited liability company; otherwise the company will be treated as a public company (DFDL 2011).

A one-person limited company is established by a single shareholder responsible for the company's management. Such companies only require a simplified corporate governance regime. A reserve fund of 10% of annual net profits until the reserve equals 50% of registered capital in case of losses is required by the enterprise law. Furthermore, a board of at least two directors must be established. A board and an auditor is always required if a limited company has assets of over 50 billion kip. The rights and duties of the board of directors are determined in Article 130 and state the board of directors shall act as the central coordination body and determine the plan for administration and management (DFDL 2011).

Public company

Public companies are not common in Laos, but the newly established Lao Securities Exchange may lead to change in this. Public companies usually consist of nine or more shareholders, who may transfer their shares or supply them for sale to the general public. The minimum registered capital is 50 million kip. Implementation is similar to the procedure for starting a limited liability company. After the submission of the contract of incorporation, the enterprise law anticipates a public subscription of shares. In case the amount of shareholders is below nine, the company will be liquidated (DFDL 2011).

Procedures for Starting a Business

According to the World Bank Group's Doing Business 2016, Laos ranked 134th out of 189 economies surveyed in 2015, a slight improvement from the previous year when the country was ranked 139th. Although the country's ranking remains high, a drop from 159th in 2013 is considered a good progress. Starting a business in Laos has improved over the last few years, especially in terms of time and costs involved in the procedure. It now requires six procedures, takes theoretically 73 days, and costs around 4.9% of income per capita. For starting business, in the Doing Business 2016, Laos ranked 153^{rd} out of 189 economies. In comparison with other ASEAN countries, Laos has a better ranking than Indonesia (173^{rd}) and Cambodia (180^{th}).

The six procedures to start a limited liability company in Laos, according to the Doing Business 2016, encompass: *to be added*

Banking and Access to Finance

While technical expertise and the amount of services offered by domestic banks are still restricted, the Lao banking sector is evolving as new private and foreign banks start to supply modern banking services. National deposit insurance is outlined in a 1999 regulation on depositor protection funds, which states that in the case of bank default there is a right to compensation. Compensation is limited to a maximum of 15 million kip per person.

Foreign Exchange

The list of permissible transactions in foreign currency is relatively limited. Foreign-exchange transactions, including foreign source loans and interest rate and commodities hedging transactions, are governed by the Foreign Exchange Law, the Foreign Exchange Decree and the Foreign Exchange Guideline. BOL approval is required for transactions involving the use of foreign exchange for payment for goods, services, or debt in the Lao PDR. The exchange of LAK into foreign currency is permitted only for limited purposes. In addition, all remittances abroad, transfers into the Lao PDR, foreign-source loans, and payments in currency other than LAK, must be approved by the BOL.

The Foreign Exchange Law and the Foreign Exchange Guideline set a broad approval authority of the BOL which includes the use of foreign exchange for any purchase of goods or services on credit. As interpreted by the BOL, this approval requirement extends to installment sales and to equipment leases in which the lessee is obligated to purchase the equipment at the end of the lease term.

Derivative transactions such as foreign exchange and interest rate and commodities hedging fall into a general requirement of BOL approval. However, relevant standards are vague, detailed regulations have not been promulgated, and BOL personnel may lack experience with such transactions. The general rule for approval of such transactions is that a legitimate, non-speculative business purpose for the transaction be demonstrated.

Foreign investors are required to use the Lao PDR banking system (and domestic bank accounts) for all transactions unless BOL approval has been obtained for the use of offshore bank accounts.

Exemptions from these capital control laws and regulations must be sought from the BOL and, at present, may not be granted by the National Assembly or National Assembly Standing Committee (NASC).

The World Bank and the Asian Development Bank are present in Laos and are frequently involved in supplying financing or guarantees for major projects. The government has an agreement with the Mekong Project Development Facility to promote privately owned, small and medium-sized enterprises in Vietnam, Cambodia and Laos. The project advises small and medium business on how to prepare business plans that can be submitted to financiers and on how to better operate their businesses (U.S. Commercial Service 2012).

External Grants

Residents and legal persons of Laos who want to borrow externally need to apply to the BoL for approval using the following documents:

- Application for borrowing externally
- Brief feasibility study of the relevant project
- Fund use plan, debt payment plan
- Draft of the loan contract

- Resolutions of the meeting or decision on external borrowing
- Business licence and tax licence
- Copy of investment licence.

Furthermore, individuals and legal persons who want to give or receive a foreign loan need to apply to the BoL for approval. The application documents are:

- Application form
- Revenue and repayment plan
- Draft of commercial credit contract
- Business licence and tax licence
- Copy of investment licence (Decree on the Implementation of the Law on Management of Foreign Currency and Precious Metals 2010).

Access to Finance

Access to finance is among the major constraints for companies operating in Laos, despite recent credit expansion and regulatory improvements which significantly raised the country's ranking in the Doing Business 2016 for "Getting Credit". While the majority of companies have access to a bank account, only very few have access to loans. Among comparable countries, firms located in Laos have the widest available access to bank accounts. However, when it comes to taking out loans, Laos was ranked among the countries with the lowest credit access until a year ago. The vast majority of company investment costs are therefore covered by internal resources, with external financing almost insignificant. Furthermore, firms located in Laos have to provide significantly more collateral coverage for loans (over 300% of the loan amount) than in countries such as Vietnam (about 200%) (MoIC 2012).

Few companies in Laos apply for credit from formal institutions. Many firms are in need of funding but reluctant to apply for a loan, stating complex application procedures, the need for informal payments, and high collateral requirements as major obstacles. A shortage of bank financing availability for investment purposes, a lack of medium- and long-term bank loans, and the rigorous requirements for collateral especially in the form of land and buildings show that the banking sector in Laos offers room for improvement. Additionally, registering property as collateral is a tedious process requiring several procedures, which discourages companies from mobilizing collateral (MoIC 2012, World Bank 2011).

However, according to the latest Enterprise Survey from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the amount of businesses receiving external funding has increased slightly from 32% in 2009 to 38% in 2011. The share of businesses relying on funding from friends, relatives and money lenders has decreased in favour of funding provided by banks (GIZ 2012). Additionally, entries of foreign bank branches from China, Taiwan, Malaysia and Thailand in the past several years have raise competition and, hence, increase access to finance for qualified businesses (World Bank, 2016).

According to the Doing Business 2016, Laos has significantly improved in terms of strength of legal rights, but has made no progress in terms of depth of credit information. A change in regulatory requirement, which resulted in the enlargement of borrower coverage, has significantly improved the country's ranking in getting credit indicator to 70th place in 2016 report from 128th place in the 2015 report.

Businesses are allowed to use movable assets as collateral while keeping possession of the assets, and they can grant non-possessory security right to practically all assets. Parties may also agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created. A general description of debts and obligations is permitted in collateral agreements, and all types of debt and obligation can be secured between the parties. Furthermore, a collateral agreement can include a maximum amount for which the assets are encumbered.

However, businesses are not allowed to grant a non-possessory security right in a single category of movable assets, and security rights may not be extended to future or after-acquired assets. There is no collateral registry in operation with an electronic database indexed by the debtor's name. Additionally, secured creditors are not paid first when a debtor defaults outside an insolvency procedure and they are not paid first when a business is liquidated.

Laos performs relatively poorly in the provision of credit information until recently, when the credit registry was created to allow lenders (banks and financial institutions) to access borrowers' credit information online. Until recently, there was no credit history or other data available on either firms or individuals. However, with the creation of the credit registry, according to the Doing Business 2016, a total of 216,845 borrowers, including 15,896 firms and 200,949 individuals, an equivalent of 5.1% of adult population, were included in the credit registry. This is considered a significant improvement in credit information.

The Bank of the Lao PDR wishes to improve banking services in rural areas, which generally have limited access to banking services, but are home to more than half of the population. The BoL has been working on the development of mobile banking as a low-cost alternative for poor people in remote areas (Ministry of Industry and Commerce 2012). Currently, a number of banks are providing mobile banking services.

The microfinance sector in Laos is in early stages of development and shows noticeable growth. By the end of 2009 the microfinance sector included some 4,000 village funds with over 365,000 members, comprising 47% of all Lao villages. The majority of loans (63%) are spent on agricultural needs with the general loan size amounting to 2 million kip.

About 32 regulated microfinance institutions are present in Laos, with support from many bi- or multi-lateral agencies, international NGOs and donors such as GIZ, UNDP/UNCDF, ILO, KfW and Entrepreneurs du Monde. Still, only 25% of households in Laos have access to banking services (Microfinance Working Group for the Lao PDR 2013).

Trade Procedures

Import and export processes are under defined in the customs law and several other regulations including the import and export management decree, the goods import licensing decree, and the notification on controlled goods.

Foreign investors face certain limitations in trading activities and most companies engaging in domestic trading activities are entirely owned by Lao investors. Foreign companies are required to supply their goods through joint-venture trading companies or local distributors. These restrictions do not affect the internal trade of equipment in company operations (DFDL 2011).

Trade and customs procedures in Laos demand advance planning and good coordination within the supply chain, as procedures include extensive paper work and sometimes require permits from several ministries. The permit procedure depends on the category of goods to be traded. The import of fuel, for instance, requires approval from the MoIC, while import of gold bars requires permission from the BoL and import of gambling machines needs approval from the Ministry of Information and Culture (MoIC 2011, DFDL 2011).

Traded goods to and from Laos are divided into three categories:

- General goods not included in the list of controlled goods or prohibited from trade

- Goods requiring import and export permits
- Goods prohibited for import (e.g. hazardous chemicals, weapons, narcotics) and export (e.g. archaeological objects and manure).

These three categories are subject to the control of the responsible ministries. The Notification on Controlled Goods specifies all products requiring permission prior to import or export. If products are not listed in the notification and do not fall under sanitary, phytosanitary or trade regulations, all they require is customs approval (MoIC 2011, DFDL 2011).

Customs procedures are regulated by the customs authorities (Customs Department, customs offices at local level, border customs ports as well as mobile customs units). The Ministry of Finance is in charge of customs administration in accordance with the Customs Law (DFDL 2011).

Import Procedures

Before importing goods into Laos, companies need to make sure their products are not listed as prohibited goods which are not allowed to be imported, exported, transited, sold or even circulated in the country. Prohibited goods are weapons, narcotics, psychotropic substances and hazardous chemical substances (MoIC 2012b).

Bringing goods subject to import duty into Laos generally requires approximately four to five days and has to go through different stages. An import plan for six months to one year and an import licence are required, but before foreign-investment companies can receive an import licence from the Trade Department, they have to apply for permission from the Investment Promotion Department. Import and export licences are valid for the duration of the ongoing business licence, and investors have to regularly inform authorities about their intention to proceed with their business. If imported goods are not subject to sanitary and phytosanitary or technical measures, companies can proceed by submitting a declaration directly to customs (MoIC 2012b, U.S. Commercial Service 2012, DFDL 2011).

Sanitary and phytosanitary goods have to comply with special regulations and must be vetted by the Ministry of Agriculture and Forestry. In line with the WTO Sanitary and Phytosanitary Measures Agreement, Laos has established a sanitary and phytosanitary enquiry point.

Certain goods require a permit from the Ministry of Science and Technology ascertaining that they conform to specific technical standards. The government has also introduced a Technical Barriers to Trade (TBT) Enquiry Point to address questions regarding technical standards (MoIC 2012b).

Products coming into the country are stocked in a customs warehouse. The importer then presents a comprehensive declaration and payment form before the inspection officers check the goods and needed documents, e.g. airway bills and shipping documents. After that the goods can be removed from the warehouse provided that import duties and taxes have been paid (DFDL 2011).

The country has reduced the time needed to import and export by introducing the ASYCUDA electronic data interchange system at the Thanaleng Friendship Bridge crossing, Laos' main international check point and most heavily used, and ten other international border check points. The country is intending to install ASYCUDA at every border posts nation-wide, according to MoIC's Trade Portal website (http://www.laotradeportal.gov.la).

The Lao PDR Trade Portal website is another development that facilitates trades across borders. The website provides all information (e.g., regulatory, procedural, official documentation, etc.) importers and exporters need to carry out transactions.

As a result of recent improvements to reduce trade cost (in time and monetary value), Laos' global ranking in trading across borders indicator has significantly improved to 108th out of 189 economies in the Doing Business 2016, from 160 place in 2013. Nevertheless, in comparison with other ASEAN countries, Chin, and the East Asia & Pacific region, Laos still ranked the worse.

The documents required for importing goods are as follows (Doing Business 2016):

- Carrier report
- Commercial invoice
- Copy of business license
- Copy of tax registration
- Copy of the exporter license
- Copy of the import license
- Customs import declaration
- Packing list

Goods can be imported for temporary use under certain circumstances:

- Goods needed for manufacture, processing, assembly, adaption or repair of items which will be re-exported
- Vehicles needed for project supervision or for tourism or business visits as long as they are re-exported
- Other materials needed for project supervision
- Exhibition, educational or scientific materials

For these types of imports no duties are payable, but specific documents or authorisations need to be obtained from the responsible authority and handed to customs.

Exemptions from customs duties are available for diplomatic missions, government investment promotion schemes or for specific economic zones (MoIC 2012b).

In accordance with the customs law, a customs declaration form has to be submitted to the customs checkpoint within 15 days of declaring the products in the warehouse. If the declaration is not delivered in time, the goods will be subject to the regulations of the Customs Department.

Should the Customs Department submit an objection, the importer is entitled to re-submit the declaration. If the importer and the customs officer cannot find a solution, the importer may present the case to a superior authority. If both sides are still unable to reach agreement, the importer can file a claim in court (DFDL 2011).

In general, the government of Laos has simplified the tariff structure, but there are reports that customs officials still charge arbitrary tariffs on some imported goods (Department of Commerce USA 2012). Commodities are classified using the 8-digit *Harmonized System (HS) Code* which is maintained and, from time to time, amended by the World Customs Organization (WCO). The Lao tariff classification conforms with ASEAN's AHTN standard (*ASEAN Harmonized Tariff Nomenclature*).

Export Procedures

Export procedures are in many ways similar to import procedures. Export must be conducted through an authorised import-export company. These Lao-registered companies charge a service fee as a percentage of total CIF (cost, insurance and freight). The process of receiving permits can be time consuming, particularly for the following goods: diamonds, minerals, seeds and breeding animals, amongst others (MoIC 2011).

The documents required to export goods are the following (Doing Business 2016):

- Bill of lading
- Commercial Invoice

- Copy of the business license
- Copy of the tax registration
- Customs export declaration
- Packing list
- Export permit
- Customs transit document (for Thailand)

A Certificate of Origin is usually required by the authorities in the importing country. Exporters who want to dispatch goods to countries with a preferential tariff with Laos or with ASEAN can obtain a Certificate of Origin from the Certificate of Origin Division within the MoIC. Exporters dispatching to other countries have to obtain Certificates of Origins at the LNCCI (MoIC 2012b).

Products made from natural resources are exempt from customs duties in order to give an incentive for the export of certain products, especially agricultural products. However, export duties are still payable on certain goods (MoIC 2012b).

The Lao PDR Trade Portal is a useful website providing all information on import and export procedures including laws, regulations, other legal instruments, permit application and a download section for all required forms (→ Links and useful addresses).

With World Bank support, the government is working to improve customs management as well as import and export procedures. It is planning to minimise corrupt practices by commissioning a feasibility study on the introduction of a Lao National Single Window in accordance with the ASEAN Single Window. In October 2012 a team of international consultants started developing functional and technical specifications, building an operational model, drafting the legal basis and training of government staff (MoIC 2012, Vientiane Times 2012). The ASEAN Single Window forms part of the preparations to establish the ASEAN Economic Community by 2015 (→ Membership in other organisations).

Lao National Single Window
The times and costs involved in importing and exporting goods to and from Laos PDR are greater than in most Southeast Asian countries. However, the government is working to improve the situation, for instance by introducing a Lao National Single Window.

PART IV

The European Chamber of Commerce and Industry in the Lao PDR

Major Activities in 2015

In its second year of existence, ECCIL's highlights were the reception of several trade delegations and the organisation of the Asia-Europe Business Forum.

Throughout the year, about 100 interested investors took the opportunity of finding out more about the Lao business environment and of meeting potential business partners. ECCIL took the opportunity to work closely with bilateral regional chambers and signed Memorandums of Understanding with the German-Thai Chamber of Commerce as well as with the French-Thai Chamber of Commerce.
Further trade delegations and cooperation agreements are to follow in the near future.

In 2012, ECCIL co-organised the largest economic conference in Lao history: the Asia Europe Business Forum. Hosted under the umbrella of the Lao government and together with the Lao National Chamber of Commerce and Industry, the forum attracted about 300 business representatives from both Asia and Europe to discuss current and future challenges and opportunities in Asian-European business relations. The business forum was as part of the 9th Asia-Europe Meeting, ASEM 9.