Laos

An investment guide
to the Lao People's Democratic Republic
Opportunities and Conditions
2010

United Nations

UNITED NATIONS

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UNCTAD

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The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping together thousands of members, companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Notes

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References to "dollars" ($) are to United States dollars, unless otherwise indicated.
References to "tons" are to metric tons.

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Three good reasons to invest in the Lao People’s Democratic Republic

- **A stable and investment-friendly Government**

Private sector development and the attraction of foreign direct investment (FDI) are among the Lao People’s Democratic Republic Government’s top priorities. The new Law on Investment Promotion, recently approved by the legislature, levels the playing field for local and foreign investors, including on access to land, eliminates local content-related investment requirements and provides generous tax incentives for foreign investors. While issues of governance and transparency, as well as inadequate basic infrastructure, remain among the key challenges, investors appreciate the Government’s efforts in improving the business environment, its opening-up and greater integration into the multilateral trading system with accession to the World Trade Organization (WTO) in sight, and the country’s relatively stable political environment.

- **Opportunities in mining, hydropower and tourism abound**

The Lao People’s Democratic Republic is rich in mineral resources with discovered and exploited deposits of copper, gold, silver, zinc, gypsum, coal and sapphire. At present, there are about 170 ongoing mining projects in the country, a number that is likely to rise in the near future given that only 30 per cent of the Lao People’s Democratic Republic’s territory has been explored. Another 650 locations have been identified to be containing metal ores.

With its considerable water resources, the Lao People’s Democratic Republic can be the "battery" of South-east Asia. Large and long-term foreign investment has started to pour in, including the $1.2 billion Nam Theun II hydroelectric project – the largest in the country. Investment in this sector alone could reach $5.2 billion over the next five years and is expected to raise around $2 billion in revenue over a 25-year period.

The Lao People’s Democratic Republic also boasts large tracts of beautiful wild landscape and isolated villages of traditional ethnic communities and two United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Sites – the ancient capital of Luang Prabang and the Angkor-era temple complex of Wat Phu. With sustainable tourism now an integral part of the Government’s strategy, it is not surprising that the country was among WTO’s top emerging tourism destinations and named by the New York Times as its number one holiday destination for 2008.

- **A landlink connecting the most dynamic Asian markets**

With the Lao People’s Democratic Republic being part of the Greater Mekong Subregion (GMS) – comprising Cambodia, China, the Lao People’s Democratic Republic, Myanmar, Thailand and Viet Nam – the country could be a launching pad for any investors’ activities in the dynamic markets of South-east Asia and China. Investors in the Lao People’s Democratic Republic benefit from the GMS’ comprehensive cross-border transport facilitation programme, which not only aims at improving key infrastructure services, but also facilitating the freer flow of goods through instituting single-stop window customs inspection and common transit traffic regimes and easing cross-border movement of persons, among others.

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Note to the reader

This document is published as part of the UNCTAD–International Chamber of Commerce (ICC) series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered.

They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. "The operating environment" describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. "Areas of opportunity" offers a description of areas of potential interest to foreign investors. "The regulatory framework" focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

Abbreviations

ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AFD	Aide française au développement
AGF	Assurances Générales de France
AGL	Assurances Générales du Laos
APB	Agriculture Promotion Bank
ASEAN	Association of Southeast Asian Nations
BCEL	Banque pour le Commerce Exterieur Lao
BoL	Bank of the Lao People's Democratic Republic
DDFI	Department for Promotion and Management of Domestic and Foreign Investment
DPWT	Department of Public Works and Transport
DWT	dead weight tons
EBA	Everything But Arms
EDI	Education for All Development Index
EdL	Electricité du Laos
EFA	Education for All
EGAT	Electricity Generating Authority of Thailand
ERO	Enterprise Registration Office
ETL	Enterprise of Telecom Lao
EU	European Union
EWC	East–West Corridor
FDI	foreign direct investment
GDP	gross domestic product
GMS	Greater Mekong Subregion
GSP	Generalized System of Preferences
GTZ	German Technical Cooperation Agency
ha	hectare
JBIC	Japan Bank for International Cooperation
ICC	International Chamber of Commerce
IFC	International Finance Corporation
IMF	International Monetary Fund
IPD	Investment Promotion Department
IPP	Independent Power Plant
LBF	Lao Business Forum
LDB	Lao Development Bank
Kw	kilowatt
LFTU	Lao Federation of Trade Unions
LLC	Limited Liability Company
LANIC	Lao National Internet Committee
LNCCI	Lao National Chamber of Commerce and Industry
LPRP	Lao People's Revolutionary Party
MPDF	Mekong Private Sector Development Facility
MPWT	Ministry of Public Works and Transport
MoF	Ministry of Finance of the Lao People's Democratic Republic
Mw	megawatt
NAFRI	National Agriculture and Forestry Research Institute
NEM	new economic mechanism
NLMA	National Land Management Authority
NSEDP	National Socio-Economic Development Plan
NTA	National Tourism Administration
NUoL	National University of the Lao People's Democratic Republic
OEDR	Office of Economic Dispute Resolution
PEI	Poverty Environment Initiative
SOEs	State-owned enterprises
SOCB	State-owned commercial banks
STA	Science and Technology Authority
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNDP	United Nations Development Programme
UNWTO	United Nations World Tourism Organization
VAT	value added tax
VNCMI	Viet Nam National Coal–Mineral Industries
WB	World Bank
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WREA	Water Resources and Environmental Agency
WTO	World Trade Organization
$	United States dollar(s)

Preface

Foreign direct investment (FDI) has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

An Investment Guide to the Lao People's Democratic Republic is the concrete product of a collaborative venture by UNCTAD and the International Chamber of Commerce (ICC). The objective of this project is to bring together two parties with complementary interests: companies that seek new opportunities and countries that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD–ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing dialogue between investors and governments. The guides themselves are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn contribute to the dialogue, helping to strengthen and sustain it. We are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment..

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