U.S. DEPARTMENT OF STATE
DIPLOMACY IN ACTION

Executive Summary

After a decade-long experiment with a pure Marxist economy following the founding of the Lao People's Democratic Republic, the Lao PDR launched the "New Economic Mechanism" in 1986. Since that time, the country has gradually implemented the reforms and built the institutions necessary to a market economy. Over the last thirty years, the trend has been slow but steady progress, culminating in accession to the World Trade Organization in February, 2013. Since 2009, annual GPD growth has averaged approximately eight percent.

In order to meet the requirements for entry to the WTO, Laos engaged in major reforms of its economic and trade laws and regulations. The Lao government is now working to implement the commitments embodied in those laws, and to meet the 2015 goal for creation of the ASEAN Economic Community (AEC), which will further liberalize the trading environment and economy. Additionally, WTO and AEC requirements reinforce fuller implementation of the conditions of the 2005 U.S.-Laos Bilateral Trade Agreement.

Economic progress and trade expansion in Laos remain hampered by a low level of human resource development, weak education and health care systems, and a poor, although improving, transportation infrastructure. Institutions, especially in the justice sector, are a work in progress, and regulatory capacity is low. Additionally, increasing corruption has recently become a major concern, and the country has suffered through fiscal and monetary crises in the past year. The Lao economy is highly dependent on exploitation of natural resources, particularly in copper mining and hydropower. Although the services and industrial sectors have grown in recent years, the economy is in need of further diversification, and the majority of the Lao population is still employed in agriculture.

According to the 7th National Socio-Economic Development Plan (NSEDP) 2011-2015, Laos seeks to continue an annual economic growth rate in the neighborhood of 8%. To accomplish this, the government of Laos estimates that it needs approximately US$15 billion of total investment in the next five years, US$7 to US$8 billion of which it plans to source from foreign and domestic private investment. The plan directs the government to formulate "policies that would attract investments in addition to attracting Overseas Development Assistance; begin to implement public investment and investment promotion laws; and increase cooperation with friendly countries and international organizations."

1. Openness To, and Restrictions Upon, Foreign Investment

The government of Lao PDR (GOL) officially welcomes both domestic and foreign investment as it seeks to graduate from Least Developed Country status by the year 2020. The pace of foreign investment has increased over the last several years. Mining and hydropower compose eighty percent of Foreign Direct Investment (FDI). China, Vietnam, Thailand Korea, and Japan are the largest sources of foreign investment.

The 2010 Law on Investment Promotion introduced uniform business registration requirements and tax incentives that apply equally to foreign and domestic investors. Foreigners may invest in any sector or business except those that the government deems to be detrimental to national security, health or national traditions, or to have a negative impact on the natural environment. There are no statutory limits on foreign ownership or control of commercial enterprises, but in practice, many companies seek a local partner. Companies involved in large FDI projects, especially in mining and hydropower, often either find it advantageous or are required to give the government partial ownership, frequently with money borrowed from the investor or multilateral institutions.

Foreign investors seeking to establish operations in Laos are typically required go through several steps prior to commencing operations. In addition to an investment license, foreign investors are required to obtain other permits, including; an annual business registration from the Ministry of Industry and Commerce; a tax registration from the Ministry of Finance; a business logo registration from the Ministry of Public Security; permits from each line ministry related to the investment (i.e., Ministry of Industry and Commerce for manufacturing; Ministry of Energy and Mines for power sector development); appropriate permits from local authorities; and an import-export license, if applicable. Obtaining the necessary permits can pose a challenge, especially in areas outside the capital. In 2013, the Lao government began allowing businesses to apply for tax registration at the time of incorporation, slightly simplifying the business registration process.

The Lao government has attempted to streamline business registration through the use of a "one-stop shop" model. For general business activities, this service is located in the Ministry of Industry and Commerce. For activities requiring a government concession, the service is located in the Ministry of Planning and Investment. For Special Economic Zones (SEZ), one-stop registration is run through the Secretariat to the Lao National Committee on Special Economic Zones (SNCSEZ) in the Office of the Prime Minister. According to PM Decree 177, the Savan-Seno SEZ authority is required to establish one-stop service to facilitate the issuing of investment licenses and improve the efficiency of business operations. In practice, it appears as though SEZ applications involve several different permissions and vary widely across SEZs. For clarification of one-stop shop procedures it is recommended that investors contact the SNCSEZ directly at: sez@sncsez.gov.la

Foreign partners in a joint venture must contribute at least thirty percent (30%) of the venture's registered capital. Capital contributed in foreign currency must be converted into kip based on the exchange rate of the Bank of the Lao People's Democratic Republic on the day of the capital contribution. Wholly foreign-owned companies may be either a new company or a branch of an existing foreign enterprise. Throughout the period of operation of a foreign investment enterprise, the assets of the enterprise must not be less than its registered capital.

Individual companies in the petrochemical industry are required to file an annual import plan. The government controls the retail price and profit margins of gasoline and diesel. Government documents articulating the restrictions and explaining the policy are difficult to obtain. Goods prohibited for import and export range from explosives and weapons, to literature that presents a negative view of the Lao government, to certain forestry products and wildlife. Agriculture production and most manufacturing production are private. State-owned enterprises (SOEs) currently account for only one percent of total employment. Over 90% of manufacturers have fewer than 10 employees. Equity in medium and large-sized SOEs can be obtained through a joint venture with the Lao government.

Although accurate statistics are difficult to obtain, there is no question that foreign investment has trended dramatically upward over the last several years, going from $1.2 billion in 2012 to $1.8 billion in 2013. There are also small but growing signs of growth in higher-quality FDI, focused on manufacturing, largely through one Special Economic Zone in the southern part of the country.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(140 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(144 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(159 of 189)	http//doingbusiness.org/rankings
World Bank GNI per capita	2012	USD 1270	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B – 2014 Lao PDR Millennium Challenge Scorecard:

MCC Scorecard Categories	Year	Percentage Score	Raw Score
MCC Government Effectiveness	FY 2014	56%	.04
MCC Rule of Law	FY 2014	60%	.07
MCC Control of Corruption	FY 2014	40%	-.13
MCC Fiscal Policy	FY 2014	49%	-3.1
MCC Trade Policy	FY 2014	12%	58.6
MCC Regulatory Quality	FY 2014	44%	-0.09
MCC Business Start-Up	FY 2014	23%	0.771
MCC Land Rights and Access	FY 2014	66%	0.68
MCC Natural Resource Protection	FY 2014	81%	93.9
MCC Access to Credit	FY 2014	36%	22
MCC Inflation	FY 2014	72%	4.3

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

2. Conversion and Transfer Policies

In 2013, Laos suffered fiscal and monetary difficulties which resulted in low levels of foreign reserves. In response, the Bank of the Lao PDR (BOL) imposed daily limits on converting funds from Lao Kip into U.S. Dollars and Thai Baht, leading to difficulties in obtaining foreign exchange in Laos. The BOL also imposed restrictions on loans made in USD and Baht, limiting them to businesses which generated foreign currency. There were no reports of restrictions on, or difficulties in, repatriating or transferring funds associated with an investment.

In order to facilitate business transactions, foreign investors generally open commercial bank accounts in both local and foreign convertible currency at domestic and foreign banks in Laos. The Enterprise Accounting Law places no limitations on foreign investors transferring after-tax profits, income from technology transfer, initial capital, interest, wages and salaries, or other remittances to the company's home country or third countries provided that they request approval from the Lao government. Foreign enterprises must report on their performance annually and submit annual financial statements to the Ministry of Planning and Investment (MPI).

The Bank of Lao PDR manages the Lao currency, the kip, under a managed floating exchange rate in which it seeks to maintain its value in a band of plus or minus five percent around the nominal exchange rate with the U.S. dollar and Thai baht. Lao PDR is listed as a high-risk jurisdiction for money laundering/combating the financing of terrorism by the Financial Action Task Force (FATF) and has strategic deficiencies in its AML/CFT regime. In 2013, the Bank of

Lao PDR agreed with the Asia Pacific Group, a regional FATF-body, to implement an action plan to address AML/CFT deficiencies.

3. Expropriation and Compensation

Foreign assets and investments in Laos are protected by laws and regulations against seizure, confiscation, or nationalization except when deemed necessary for a public purpose, in which case foreign investors are supposed to be compensated. Revocation of an investment license cannot be appealed to an independent body, and companies whose licenses are revoked must then quickly liquidate their assets.

Since 2012, Sanum Investments, a subsidiary of Lao Holdings, Inc., a company incorporated in Aruba and owned by American citizens, has been involved in a business dispute with its Lao partner. Thus far, court decisions in the case have been uniformly in favor of the Lao partner and could be construed as implicitly forcing local ownership. In addition, the company was subjected to audits and tax enforcement decisions that Sanum has alleged amount to expropriation. Sanum filed a case against the Lao PDR at the World Bank's International Center for the Settlement of Investment Disputes in 2012.

4. Dispute Settlement

The Lao judicial system is not independent and faces challenges in meeting the needs of a modern market economy. Contract law in Laos is lacking in many areas important to trade and commerce. While it does provide for sanctity of contracts, in practice contracts are subject to political interference and patronage. A contract can be voided if it is disadvantageous to one party, or if it conflicts with state or public interests. Foreign businessmen have described contracts in Laos as being considered "a framework for negotiation" rather than a binding agreement. Although a commercial court system exists, in practice most judges adjudicating commercial disputes have little training in commercial law. Those considering doing business in Laos are strongly urged to contact a reputable law firm for additional advice on contracts.

According to the Law on Investment Promotion, investors should resolve disputes in the following order: mediation; administrative dispute resolution; dispute resolution by the Committee for Economic Dispute Resolution; and finally, litigation. However, due to the poor state of the Lao legal system and low capacity of most Lao legal administrators, foreign investors are generally advised to seek arbitration outside the country.

Laos is not a member of the International Center for the Settlement of Investment Disputes. It became a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards on September 15, 1998, but Laos has never been asked to enforce a foreign arbitral award. Laos is a member of the United Nations Convention on International Trade Law.

In disputes involving the Ministry of Planning and Investment, decisions can only be appealed back to the Ministry itself. There is no separate independent body. Thus a company which feels it is receiving unfair treatment from the government has no independent recourse. Lao laws often contradict each other and lack implementing regulations. Some laws have been officially translated into English, including the business, tax, bankruptcy, customs, and secured transaction laws. The reliability of unofficial translations varies considerably. Application of Lao law remains inconsistent and knowledge of the laws themselves is often limited (especially outside the capital). The existence of a large number of government decrees, sometimes unpublished, further complicates the situation.

A commercial court does exist in Laos. Laos has no anti-trust statutes. The bankruptcy law permits either the business or creditor the right to petition the court for a bankruptcy judgment, and allows businesses the right to request mediation. There is no record of foreign-owned enterprises, whether as debtors or as creditors, petitioning the courts for a bankruptcy judgment.

5. Performance Requirements and Investment Incentives

Laos does not impose performance requirements and its regulations appear to be broadly consistent with WTO Trade Related Investment Measures (TRIMs), although it has notified the WTO that it will avail itself of transition periods for least-developed countries in completely phasing out local content and export performance requirements. Foreign investors are encouraged to give priority to Lao citizens in recruiting and hiring. Foreign personnel can be hired, although they may not normally exceed 10% of the enterprise’s total labor force, with exceptions for skilled labor or politically important projects. Before bringing in foreign labor, foreign enterprises must apply for work permits from the Ministry of Labor and Social Welfare. A list of foreign personnel must also be submitted to MPI.

Laos grants incentives for foreign investment depending on industry sectors and activities promoted by the government, and the level of infrastructure and socio-economic development in specific geographic zones. Under Articles 49, 50 and 51 of the Law on Investment Promotion, the government defines agriculture, industry, handicraft and services as promoted activities. Investment promotion is divided into 3 levels: Level 1 - high, Level 2 - medium and Level 3-low. Additionally, the country is divided into three promotion zones. Zone 1 is defined as areas lacking in socio-economic infrastructure – primarily mountainous and remote areas – and is assigned a high level of investment promotion. Zone 2 applies to areas with socio-economic infrastructure that is partially able to facilitate investments and is given medium priority. Zone 3 has infrastructure available to support investments and is assigned a low level of investment promotion.

In Zone 1, Level 1 investments receive profit tax exemptions for 10 years, Level 2 investments for 6 years and Level 3 investments for 4 years.

In Zone 2, Level 1 investments receive profit tax exemptions for 6 years, Level 2 investments for 4 years and Level 3 investments for 2 years.

In Zone 3, Level 1 investments receive profit tax exemptions for 4 years, Level 2 investments for two years and Level 3 investments for 1 year. Profit tax exemptions in all zones start from the date the enterprise commences operations.

Incentives related to customs duties, access to finance, and other taxes are described in Articles 52, 53 and 54 of the Law on Investment Promotion. As of 2011, foreign investors and workers must pay an income tax of 24% to the Lao Government, unless they are citizens of a country with which the Lao Government has signed a double-taxation agreement. Previously, this rate was 10%.

The United States does not have a double-taxation agreement with Laos. Article 67 of the Law on Investment Promotion stipulates that foreign investors and their families, including foreign professionals and foreign employees of an enterprise, may obtain multiple entry visas with a maximum term of five years. The government routinely approves long-term residence in the Lao PDR for foreign investors.

The government began replacing the turnover tax with a Value Added Tax (VAT) in 2010. Foreign investors are not required to pay import duty on equipment, spare parts and other materials used in the operation of their enterprises. Raw materials and intermediate goods imported for the purpose of processing and re-export are also exempt from import duties. Raw materials and intermediate goods imported for the purpose of import substitution are eligible for import duty reductions on a case-by-case basis.

Foreign enterprises are also eligible for profit tax and import duty reductions or exemptions on an individual basis, if the investment is determined by the GOL to benefit to Laos' socio-economic development. To date the Lao Government appears to have honored its incentives. Annual business license renewal is contingent upon certification that corporate income taxes have been paid. Investors report difficulties in obtaining tax certifications in a timely manner.

6. Right to Private Ownership and Establishment

The GOL recognizes the right of private ownership, and foreigners may transfer shares of a foreign-invested company without prior government approval. However, the business law requires that all shareholders be listed in the articles of association, and changes in the articles of association of a foreign-invested company must be approved by Ministry of Planning and Investment. Thus, transferring shares in a foreign-invested company registered in Laos does require the indirect approval of the government.

7. Protection of Property Rights

Foreign investors are not permitted to own land in fee-simple. However, Article 58 of the Law on Investment Promotion stipulates that foreign investors with registered investment capital of US$500,000 or above are entitled to purchase land use rights of less than 800 square meters in order to build housing or office buildings. The GOL grants long-term leases, and allows the ownership of leases and the right to transfer and improve leasehold interests. Government approval is not required to transfer property interests, but the transfer must be registered and a registration fee paid.

A creditor may enforce security rights against a debtor and the concept of a mortgage does exist. Although the GOL is engaged in a land parceling and titling project through the Ministry of Natural Resources and Environment, it remains difficult to determine if a piece of property is

encumbered in Laos. Enforcement of mortgages is complicated by the legal protection given mortgagees against forfeiture of their sole place of residence.
Laos provides for secured interest in moveable and non-moveable property under the 2005 Law on Secured Transactions and a 2011 implementing decree from the Prime Minister. In 2013, the State Assets Management Authority at the Ministry of Finance launched a new Secured Transaction Registry (STR), intended to expand access to credit for individuals and smaller firms. The STR allows for registration of movable assets such as vehicles and equipment so that they may be easily verified by financial institutions and used as collateral for loans.
Intellectual Property: A government reorganization in 2011 created the Ministry of Science and Technology, which controls the issuance of patents, copyrights and trademarks. Laos is a member of the ASEAN Common Filing System on patents but lacks qualified patent examiners. Since Thailand and Laos have a bilateral Intellectual Property Rights (IPR) agreement, in principle a patent issued in Thailand would also be recognized in Laos.
Copyright protection in Laos is weak. There is no system to issue copyrights in Laos, only a certification of copyright information. Laos is a member of the World Intellectual Property Organization (WIPO) Convention and the Paris Convention on the Protection of Industrial Property but has not yet joined the Bern Convention on Copyrights.
In 2011 the National Assembly passed a comprehensive revision of the Law on Intellectual Property which brings it into compliance with WIPO and Trade-Related Aspects of Intellectual Property standards (TRIPS). The consolidation of responsibility for IPR under the Ministry of Science and Technology is a positive development, but it lacks enforcement capacity.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Matt Younger youngermb@state.gov

Local lawyers list: http://laos.usembassy.gov/attorneys.html

8. Transparency of the Regulatory System

Principal laws, regulations, decrees and guidelines governing international trade and investment are available to the public, although not all have been officially translated into English. Laws and their schedules for implementation are customarily published in Lao daily newspapers, and relevant line ministries are beginning to put laws and regulations on websites.

The National Assembly includes a step for public consultations in the legislative process prior to sending laws to the Prime Minister for consideration. However, a highly centralized decision-making process, combined with difficulties in obtaining information, can make the regulatory system appear arbitrary and inscrutable. The government purports to seek the advice given of the business community through the Lao Business Forum.

In 2012, the National Assembly passed the Law on Making Legislation, which requires 60-day periods for public comment and regulatory impact assessment notes of all new draft legislation. In 2013, the Lao Official Gazette opened online, a landmark achievement in legal transparency for the country. The gazette will facilitate the 60-day comment period, and the Ministry of

Justice has committed to publishing all current Lao laws on the site. The gazette can be accessed here: http://laoofficialgazette.gov.la/index.php?r=site/index

9. Efficient Capital Markets and Portfolio Investment

Laos does not have a well-developed capital market, although government policies increasingly support the formation of capital and free flow of financial resources. Due to a monetary and fiscal crisis in 2013, there have been liquidity concerns, particularly related to foreign currency. The soundness of the banking system also appears to have suffered in the past year due to lending to off-budget infrastructure projects, and there are reports of some companies in the construction sector facing asset seizures by commercial banks.

The largest denomination of currency is 100,000 kip (about $12.50). Credit is generally not available on the local market for large capital investments, although letters of credit for export can sometimes be obtained locally. In January 2014, Laos issued a second round of government bonds denominated in Thai Baht, raising approximately $90 million. Its first foreign currency denominated bond sale, also in Thai Baht, raised $49 million in 2013.

The banking system is under the supervision of the Bank of Lao PDR, and includes 32 banks with assets of approximately US$6.8 billion. Private foreign banks can establish branches in all provinces of Laos. Domestic credit growth has been very high in the last decade and remained so at 31% year-over-year through September 2013. The BOL reports an increase in ATMs from 442 in 2012 to 622 through the middle of FY 2013. Technical assistance to Laos' financial sector has led to some reforms but overall capacity within the governance structure remains poor. The Lao Securities Exchange (LSX) began operations in 2011 with two stocks listed, both of them state-owned – the Banque Pour l'Commerce Exterieur (BCEL), and electrical utility Electricity du Laos (EDL). In 2013, the LSX listed a third company that runs exhibitions and convention centers and appears to be largely privately-held. In 2012, the GOL increased the proportion of shares that foreigners can hold on the LSX from 10 to 20 percent.

10. Competition from State-Owned Enterprises

The GOL maintains ownership stakes in key sectors of the economy such as telecommunications, energy, finance, and mining. Where state interests conflict with private ownership, the state is in a position of advantage.

In 2011, under the auspices of the Ministry of Post and Telecommunications, four large telecoms with high state ownership stakes cut service to a foreign-owned telecom in retaliation for alleged marketing violations. In 2012, private carrier Lao Central Airlines opened service on international and domestic routes, challenging the monopoly previously enjoyed by state-owned Lao Airlines.

There are reportedly 139 State-Owned Enterprises in Laos with $2.4 billion in assets. The government appears to be considering methods to increase private ownership in some SOE such as Lao Airlines, potentially through listing on the LSX.

11. Corporate Social Responsibility

Corporate Social Responsibility is not yet well understood and recognized by Lao producers and consumers, but protection of the environment and mitigation of social impacts are stressed by some foreign companies, particularly in the natural resources and energy sectors.

12. Political Violence

Laos is a peaceful and politically stable country. The risk of political violence directed at foreign enterprises or businesspersons is low.

13. Corruption

Corruption is a serious problem in Laos and appears to be growing alongside the economy. The GOL has developed several anti-corruption laws but enforcement remains weak, with no high-profile cases ever having been brought to trial. According to the State Inspection Authority, the Lao Government has prosecuted some individuals for corruption but it cannot publicize the information. In September 2009, Laos ratified the United Nations Convention Against Corruption.

The State Inspection Authority, located in the Prime Minister's Office, is charged with analyzing corruption at the national level and serves as a central office for gathering details and evidence of suspected corruption. Additionally, the State Inspection Department in each Ministry is responsible for combat internal ministry corruption. Laos is not a signatory to the OECD Convention on Combating Bribery. Both giving and accepting bribes are criminal acts punishable by fine and/or imprisonment. Foreign businesses frequently cite corruption as an obstacle to operating in Laos. Officials commonly accept bribes for the purpose of approving or expediting applications.

In 2014 an asset declaration regime entered into force for government officials requiring them to declare income, assets and debts for themselves and their family members. Assets over $2500 are required to be disclosed, including land, structures, vehicles and equipment, as well as cash, gold, and financial instruments. However, the effectiveness of this program has yet to be determined.

14. Bilateral Investment Agreements

Laos has bilateral investment agreements with Australia, Burma, Cambodia, China, Cuba, Denmark, France, Germany, India, Indonesia, Japan, Kuwait, Malaysia, Mongolia, Netherlands, North Korea, Pakistan, Philippines, Russia, South Korea, Singapore, Sweden, Switzerland, Thailand, the United Kingdom, and Vietnam. On February 1, 2005 a Bilateral Trade Agreement (BTA) came into force between the U.S. and the Government of Laos. Laos and the United States do not have a bilateral taxation treaty.

15. OPIC and Other Investment Insurance Programs

The United States and Laos signed an Overseas Private Investment Cooperation (OPIC) agreement in March 1996. OPIC does not have any projects ongoing in Laos but the potential exists in the Lao economy for OPIC involvement. In 1998 Laos signed an agreement with the Multilateral Investment Guarantee Agency (MIGA). The Lao kip is not an internationally traded currency and fluctuated in a narrow range against the U.S. dollar in 2012.

16. Labor

70% of Laos' work force is engaged in subsistence agriculture. There are shortages in skilled labor across virtually the entire economy. The lack of a skilled workforce is consistently cited by foreign and domestic companies as the main constraint to growth. The estimated migration of Lao labor to Thailand numbers in the hundreds of thousands. At the same time, Laos has in recent years received a large influx of labor from China and Vietnam who largely come to work with Chinese and Vietnamese companies. Generally, the current extremely tight labor market places labor-management relations on a somewhat equal footing; if employees are not satisfied at their current job, they simply leave.

The 1994 labor law provides for the formation of trade unions; specifies working hours and compensation standards; allows for maternity leave and benefits; workers' compensation and retirement benefits; and establishes procedures for labor dispute resolution. There are, however, no unions independent of the Lao Federation of Trade Unions, a Communist Party organization. In January 2012, the Lao government raised the minimum wage for unskilled workers to US$78 per month based on a six-day, eight hour per day work week. Reforms to the labor law passed in 2014 contained the first mention in Lao law of collective bargaining, but the country still lacks freedom of association for labor, independent unions, or a detailed framework for independent collective bargaining. There is virtually no avenue for, or risk of, labor strikes in Laos currently. In 2014, Laos approved a national plan of action to combat the worst forms of child labor and the Ministry of Labor and Social Welfare is working to improve its capacity for labor inspections. Laos has human resource deficiencies in virtually all sectors. English is not widely spoken. In 2012, about 16 percent of the population age 15 and above remained illiterate. The shortage of skilled labor is particularly acute in high-tech sectors. The country has a few technical colleges, one scientific research facility-- the National Institute of Hygiene and Epidemiology--and almost no effective post-graduate degree programs.

The Lao Government has dedicated few of its own resources to improve the country's education system and tends to rely heavily on international donors for support; there are a few state training programs and some foreign funded programs. Potential investors should note the need to dedicate substantial resources, both human and capital, to train employees. It is not unusual for foreign investors to bring in Thai managers due to a lack of skilled local personnel.

17. Foreign Trade Zones/Free Ports

The Foreign Investment Law allows for the establishment of Special Economic Zones (SEZ) and Specific Economic Zones as an investment incentive. Prime Ministerial Decree 443 on Special

Economic Zones and Specific Economic Zones was issued in 2010 and provides guidance on the establishment of the zones.

Special Economic Zones are intended to support development of new infrastructure and commercial facilities and include incentives for investment. Specific Economic Zones are meant to develop existing infrastructure and facilities and provide a lower level of incentives and support than Special Economic Zones. Laos plans to construct 25 special and specific zones in the next ten years via foreign direct investment of US$3 billion.

There are currently 10 different economic zones across the country, including: Savan-Seno Special Economic Zone, Golden Triangle Special Economic Zone, Boten Beautiful Land Specific Economic Zone, Vientiane Industrial and Trade Zone, Saysettha Development Zone, Phoukyou Specific Economic Zone, Thatluang Lake Specific Economic Zone, Longthanh – Vientiane Specific Economic Zone, Dongphosy Specific Economic Zone and Thakhek Specific Economic Zone.

The Savan-Seno Special Economic Zone in Savannakhet province is legitimately developing as a production, supply, and distribution center with increasingly sophisticated manufacturing businesses and advanced infrastructure. Other SEZ's in the northern part of the country have experienced problems associated with casino gambling, prostitution and drug trafficking.
Lao laws pertaining to trade are supposedly applied uniformly across the entire customs territory of Laos, including all sub-central authorities, special economic zones, specific economic zones and border trade regions. In reality, however, customs practices vary widely at ports of entry in the provinces. Centralization of customs collection by the central government has led to more uniform practices and increased the flow of customs revenue to the central government. In order to comply with National Single Window requirements under the ASEAN Single Window, in 2012 Laos began operating the Automated System for Customs Data (ASYCUDA) at the busiest point of cross-border trade, the Lao-Thai Friendship Bridge linking Vientiane with Thailand and has slowly expanded the use of ASYCUDA at other border crossings as well.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Key Macroeconomic data, U.S. FDI in host country/economy

	Bank of the Lao PDR Annual Report		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	9100	2012	9400	http://www.worldbank.org/en/country

Foreign Direct Investment	Ministry of Planning and Investment		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	3.513	NA	Insert 2012	Amount 0	(BEA) click selections to reach. • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	NA	NA	NA	NA	(BEA) click selections to reach • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	Insert 2012	Amount 20.3%	Insert (Year)	Amount	

19. Contact Point at Post for Public Inquiries

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