LAOS

INVESTMENT CLIMATE STATEMENT

2015

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Executive Summary

Laos, officially the Lao People's Democratic Republic (Lao PDR), is a landlocked country in Southeast Asia occupying the northwest portion of the Indochinese peninsula. Over the last thirty years, Laos has made slow but steady progress in implementing reforms and building the institutions necessary for a market economy, culminating in accession to the World Trade Organization (WTO) in February 2013. In the last decade, annual GDP growth has averaged approximately eight percent, placing Laos amongst the fastest growing economies in Asia.

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 the 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 remains a major concern, as does the limited access to finance. The Lao economy is highly dependent on the 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 vast majority of the Lao population is still employed in agriculture.

With the AEC on the horizon and Laos assuming the rotating chair of ASEAN in 2016, hopes are high for more reforms in the economy. Some businesses are beginning to view Laos as a way to diversify production bases in Thailand, while others see a Lao production base as an opportunity to reach the broader Mekong region including southern China.

According to the 7th National Socio-Economic Development Plan (NSEDP) 2011-2015, Laos seeks to continue an annual economic growth rate of 8 percent. To accomplish this, the government of Laos estimates that it needs approximately USD 15 billion of total investment in the next five years, of which USD 7-8 billion can come 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

Attitude toward Foreign Direct Investment

The government of Lao PDR officially welcomes both domestic and foreign investment as it seeks to graduate from Least Developed Country status. 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, France, 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 to 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. Some major international companies have set up production facilities in the SEZ, including Toyota, Nikon, and Essilor. Potential investors may also contact the SNCSEZ directly for more details on one-stop service and investment incentives at: sez@sncsez.gov.la

Foreign partners in a joint venture must contribute at least 30 percent of the company’s registered capital. Capital contributed in foreign currency must be converted into Lao kip (LAK). Currency conversion is based on the exchange rate of the Bank of the Lao People’s Democratic Republic on that given day. 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 percent 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. According to UNCTAD, total FDI stock doubled between 2008 and 2013, reaching USD 2.8 billion. 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.

Other Investment Policy Reviews

The OECD will release a new Investment Policy Review on Laos in 2015. The World Bank's 2014 Lao PDR Investment Climate Assessment is available at https://www.worldbank.org/en/country/lao/publication/lao-pdr-investment-climate-assessment-2014-policy-uncertainty-in-the-midst-of-a-natura-resources-boom.

Laws/Regulations of Foreign Direct 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. The government of Laos is working on a new law on Special and Specific Economic Zones, which should be considered by the National Assembly in 2015. Most laws of interest to investors will be featured on the Lao Trade Portal website, http://www.laotradeportal.gov.la, with many laws and regulations translated into English. The Law on Making Legislation stipulated that any legislation not posted by the end of 2014 to the electronic Official Gazette (http://laoofficialgazette.gov.la) would be void. Thus, all valid legislation should be available on the site, though many laws are only available in the original Lao.

Industrial Promotion

The government has informally encouraged foreign investment in several key industries, including agribusiness, with a particular focus on local processing and organics, tourism/travel, energy and mining, and services. The Lao government's official website for industrial promotion is www.investlaos.gov.la.

Limits on Foreign Control

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.

Privatization Program

The Lao government has no specific privatization program.

Screening of FDI

There is official policy on screening of investment in Laos, although government officials have publicly stated that Laos must only accept the "right kinds" of investments.

Competition Law

Laos has no existing competition law, but plans to draft a new law during 2015 in order to meet the requirements of the ASEAN Economic Community by the end of the year.

Investment Trends

Although accurate statistics are difficult to obtain, foreign investment has trended dramatically upward over the last several years, going from USD 1.2 billion in 2012 to USD 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.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	145 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	148 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	Not ranked	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 1,450	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

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 per capita gross national income (GNI) of USD 4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

2. Conversion and Transfer Policies

Foreign Exchange

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 that 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 maintains an adjustable peg against the U.S. dollar for the Lao currency, the kip, and allows fluctuations within a band of plus or minus 5 percent. The peg is adjusted to account for fluctuations in value of both the U.S. dollar and the Thai baht. In recent years, the kip's value has fluctuated far less than the allowed 5 percent from the adjustable peg.

Remittance Policies

There have been no recent changes to remittance law or policy in Laos. Formally, all remittances abroad, transfers into Laos, foreign loans, and payments not denominated in Lao kip must be approved by the BOL. Related rules can be vague and official practice is reportedly inconsistent.

In February 2015, new anti-money laundering legislation was enacted. The Financial Action Task Force (FATF) nonetheless continues to consider Laos to be a country of concern given its failure to complete some of the actions in its 2013 national action plan on anti-money laundering. Laos was warned at the February FATF plenary meetings in Paris that it could be moved onto a "dark grey" list if it fails to strengthen its anti-money laundering practices and enforcement of its new legislation.

Laos is not known to engage in currency manipulation. The IMF has advised Laos that its currency may actually be overvalued.

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.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Laos has a civil law system which is closely modeled on the Soviet/Chinese legal systems. Laos has currently a poorly developed legal sector. The government has a goal of becoming a "rule of law state" by 2020 and continues to work with many international donors on a comprehensive legal sector reform plan. 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.

Bankruptcy

The 1994 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. The law authorizes liquidation of assets based upon the request of a debtor or creditor. There is no record of foreign-owned enterprises, whether as debtors or as creditors, petitioning the courts for a bankruptcy judgment. According to the World Bank's Ease of Doing Business Report, Laos ranks 189 of 189 countries for ease of resolving insolvency.

Investment Disputes

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. There are few publicly available records on international investment disputes. 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 that feels it is receiving unfair treatment from the government has no independent recourse. Lao laws can contradict each other and lack implementing regulations. Application of Lao law remains inconsistent and knowledge of the laws themselves is often limited, especially outside of the capital.

International Arbitration

Laos is a member of the United Nations Convention on International Trade Law (UNCITRAL Model Law) abiding by their rules on ad hoc International Arbitration.

ICSID Convention and New York Convention

Laos is not a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). It is, however, a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). To this date, Laos has not yet been asked to enforce a foreign arbitral award.

Duration of Dispute Resolution

Given the disparate nature of known disputes, it is not possible to give a general idea of the duration of dispute resolution.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Laos continues reforms to fully implement the commitments undertaken when it became a member of the World Trade Organization (WTO) in February 2013. Laos does not currently completely adhere to the agreement on Trade-Related Investment Measures (TRIMS)

Investment Incentives

Laos offers a range of investment incentives through its Special and Specific Economic Zones, managed by a department directly under the Prime Minister, and through special government concessions managed by the Ministry of Planning and Investment. Many of these incentives can be found at www.investlaos.gov.la and are generally governed by the Investment Promotion Law.

Research and Development

There is not a clear precedent to determine whether U.S. or foreign firms can participate in government financed/subsidized research and development. Government funding for such endeavors is minimal and usually occurs in government-run research centers.

Performance Requirements

Laos does not have performance requirements.

Data Storage

Laos does not currently have laws or regulations on domestic data storage or "forced localization."

6. Right to Private Ownership and Establishment

The Lao government 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

Real Property

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 USD 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 Lao government 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 Lao government 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.
Outside of urban areas, land rights can be even more complex. Titles and ownership are not clear, and some areas practice communal titling.

Intellectual Property Rights

Intellectual property protection in Laos is weak, but steadily improving. The U.S.-funded Lao PDR – U.S. International and ASEAN Integration (LUNA) project is assisting the Lao government to build capacity in the area of IPR and to assist with progress on the IPR-related commitments undertaken as a part of Laos' 2013 WTO accession package.

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.

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.
Laos is not listed in USTR's Special 301 Report or the Notorious Markets report.
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/.

Resources for Rights Holders

Contact at Embassy Vientiane:

Noah Geesaman
Economic and Commercial Officer
(+856) (20) 487 000
GeesamanN@state.gov

Country/Economy resources:

The American Chamber of Commerce in Laos: www.amchamlao.com

U.S. Embassy Attorney List: laos.usembassy.gov/attorneys.html.

8. Transparency of the Regulatory System

Regulations in Laos can be vague and conflicting. The 2013 Law on Making Legislation mandated that all laws be available online at the official gazette website, laoofficialgazette.gov.la. Draft bills are also available for public comment through the official gazette website. Though the situation continues to improve, the realities of doing business in Laos can fail to correspond with existing legislation and regulation. Implementation and enforcement often do not strictly follow the letter of the law, and vague or contradictory clauses in laws and regulations provide for widely varying interpretations. Many local firms complain of informal or gray competition from firms that offer lower costs by flaunting formal registration requirements and operating outside of government regulatory structures.

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 due to lending to off-budget infrastructure projects and provincial spending, and there are reports of some companies in the construction sector facing asset seizures by commercial banks.

The largest denomination of currency is LAK 100,000 (USD 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. Laos completed its first Thai-baht denominated bond sale in 2013, raising USD 49 million. In January 2014, Laos issued a second round of government bonds denominated in Thai Baht, raising approximately USD 90 million, and a third round in October 2014 worth USD 170 million.

The banking system is under the supervision of the Bank of Lao PDR, and includes 32 banks with assets of approximately USD 6.8 billion. Private foreign banks can establish branches in all provinces of Laos. ATMs have become ubiquitous in urban centers. 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 Electricité du Laos (EDL). In 2012, the Lao government increased the proportion of shares that foreigners can hold on the LSX from 10 to 20 percent. As of April 2015, there are only four listed companies: BCEL, EDL's spun-off power generation arm EDL-Gen, Petroleum Trading Laos, and Lao World.

Money and Banking System, Hostile Takeovers

After extremely high consumer credit growth in excess of 30 percent for several years, rates have moderated. The Bank of Lao PDR (BOL), the central bank of Laos, temporarily ceased licensing new banks in 2014. BOL officials claimed this was to allow the central bank to better regulate and ensure regulatory compliance of existing banks. There is no publicly available data, but non-performing loans are widely believed to be a growing concern in the financial sector, fueled in part by several years of quick growth in private lending. The government's fiscal difficulties in 2013 and 2014 and its subsequent failure to pay on several investment projects negatively affected construction companies implementing the projects, which in turn could not pay back loans for capital used in construction. The full effects of the government's fiscal difficulties have not yet worked their way through the economy.

10. Competition from State-Owned Enterprises

The Lao government 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.

There is no centralized, publicly available list of Lao SOEs. The Lao government reports that there are 135 State-Owned Enterprises in Laos with USD 5.6 billion in assets. The government appears to be considering methods to increase private ownership in some SOEs such as Lao Airlines, potentially through listing on the LSX.

OECD Guidelines on Corporate Governance of SOEs

Lao state-owned enterprises (SOEs) do not strictly adhere to the OECD Guidelines on Corporate Governance for SOEs.

Sovereign Wealth Funds

There are no known laws or regulations specifically governing the behavior of sovereign wealth funds in Laos.

11. Corporate Social Responsibility

Corporate Social Responsibility is a relatively new concept for Lao firms, but it does exist. Large international firms operating in Laos tend to practice CSR to varying degrees.

OECD Guidelines for Multinational Enterprises

The government has no explicit policy of encouraging local enterprises to follow generally accepted CSR principles, such as the OECD Guidelines for Multinational Enterprises.

12. Political Violence

Laos is generally a peaceful and politically stable country. The risk of political violence directed at foreign enterprises or businesspersons is low. There has been little-to-no political violence in the last decade.

13. Corruption

Corruption is a serious problem in Laos and appears to be growing alongside the economy. The Lao government 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. The government did publish information about provincial education officials convicted of corruption July of 2014. In September 2009, Laos ratified the United Nations Convention against Corruption.

The Lao state inspection authority (formally the Government Inspection Authority and Anti-Corruption Authority, GIAACA), 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, an office of the GIAACA within each Ministry and provincial government office is responsible for combating internal ministry/provincial government corruption. Laos is not a signatory to the OECD Convention on Combating Bribery. According to Lao law, both giving and accepting bribes are criminal acts punishable by fine and/or imprisonment. Nonetheless, 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 USD 2,500 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.

Domestic and international firms have repeatedly identified corruption as a problem in the business environment and for the further development of the Lao economy.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Laos has signed and ratified the UN Anticorruption Convention. Laos is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

At the central level, contact the Government Inspection Authority:
-Dr. Bounthong Chitmany
-Chair of Government Inspection Authority
-Sivilay Village, Xaythany District, Vientiane Capital, 13th South Road
-5570 8217

At the provincial level, contact the local provincial office of the inspection authority.

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 United States and the Government of Laos.

Bilateral Taxation Treaties

Laos and the United States do not have a bilateral taxation treaty.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) has no exposure in Laos.

16. Labor

The labor market is very tight with shortages of labor at all levels. The World Bank reported in 2014 that nearly half of advertisements for low-skilled workers in Laos receive no applications. The government enacted a new labor law in late 2014 that established many new protections for workers. It also contained provisions aimed at increasing the skills of the Lao labor force and established stricter provisions on the hiring of foreign workers.

The new law authorized independent worker's groups to elect their own leaders and to engage in collective bargaining. The Lao Federation of Trade Unions, which is associated with the ruling Lao People's Revolutionary Party, has long engaged in collective bargaining on behalf of workers.

The new labor law authorizes strikes if several steps of dispute resolution fail; however, there is no record of a strike occurring in Laos. A cultural distaste for open confrontation and the general shortage of labor will continue to make strikes highly unlikely.

Child labor is outlawed except under strict conditions that do not interfere with the child's education or physical wellbeing. The new law outlaws several forms of employment discrimination and provides for weekly hours of work. The minimum wage is set by separate regulation. The new law established occupational health and safety standards, but the effectiveness of inspections remains unclear.

Foreign investors using a land concession as the investment vehicle are typically able to negotiate the percentage of foreign labor to be used in the investment.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

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, though the Lao government plans to finalize a new law on SEZs in 2015.

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 USD 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 SEZs in the northern part of the country have experienced problems associated with casino gambling, prostitution, and drug trafficking.

Lao laws pertaining to trade are supposed to be 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 practice, 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

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	11,023	2013	11,240	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	N/A		2013	0	http://bea.gov/international/factsheet/factsheet.cfm?Area=615
Host country's FDI in the United States ($M USD, stock positions)	N/A		2013	0	http://bea.gov/international/factsheet/factsheet.cfm?Area=615
Total inbound stock of FDI as % host GDP	N/A		2013	26.7%	UNCTAD

*Lao Statistics Bureau

Table 3: Sources and Destination of FDI

Foreign direct investment position data are not available for Laos. According to the Lao government, China, Thailand, and Vietnam are the largest sources of FDI, followed by Korea, Japan, and France.

Table 4: Sources of Portfolio Investment

Portfolio investment data are not available for Laos.

19. Contact for More Information

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(+856) (20) 487 000
SivanphoneTX@state.gov