Laos

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Laos – land locked versus land linked

Lao PDR: Country Profile

- Land Area : 236,800 sq. km
- Population : 7 m (2015)
- Population Density: 25 people/sq km
- Population Growth: 1.6 % (2014)
- Labor Force : 2.9 Millions
- Religion: Buddhism
- GDP Growth: 7% (2014)

Laos – strategic location

- Laos is at the centre of the GMS, consisting of Cambodia, Myanmar, Thailand, Vietnam, and Yunnan province of China.
  - It is the only country bordering all the other countries in the sub-region.
  - More than 70% of international trade in Laos - except air freight - is cross-border trade
  - 50% of the Lao population lives in border districts.

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The Economy

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Thailand and Lao PDR in comparison

Item	Unit	Thailand	Laos
Land area	Sq. km	510,890	236,800
Population	M (2014)	67.7	7
Population density	People/sq. km	132.6	30
GDP	bln. current USD (2014)	373.8	11.8
GDP growth	% (2014)	0.71	7.5
GNI p.c.	Current USD (2014)	5,370	1600
GNI p.c.	PPP (current intl. USD)	13,840	4910
Value added (agr/ind/serv)	% of GDP 2014	12/33/46	28/31/41
Exports of goods and services	% of GDP (2014)	75	40
Imports of goods and services	% of GDP (2014)	68	49
FDI net inflow	M Current USD 2013	12,820	427
External debt stocks	M current USD 2013	135,379	8,615

Source: World Bank

GDP growth forecasts in %, 2016 – the fastest ten worldwide

(Economist Intelligence Unit est.)

Source: GDP forecasts. In: The Economist. Vol. 418, No. 8970, Jan. 2nd 2016, p. 65.

Updated 15/01/2016

Growth rates of real GDP, in % (IMF, World Bank)

ASEAN

Source: IMF (Ed.): World Economic Outlook. October 2013, Washington DC, p. 157. The World Bank database

Updated 26/02/2016

Real GDP Growth in Lao PDR, Contribution of Resource Sectors

Source: The World Bank (Ed.): Managing Macroeconomic Balances to Sustain High Economic Growth. Lao PDR Economic Monitor, September Update, Issue 16, Vientiane, Sept. 2010, p.2.,; The World Bank (Ed.):Robust Growth Amidst Inflationary Concerns. Lao PDR Economic Monitor, May 2010 Update, Vientiane, May 2011, p. 6, ., World Bank (Ed.): Lao PDR Economic Monitor, May 2012 update. Vientiane 2012, p. 5

Contribution of Sectors to GDP in Laos (Estimate 2012)

Updated on March 25, 2013

Source: The World Bank (Ed.): Managing Macroeconomic Balances to Sustain High Economic Growth. Lao PDR Economic Monitor, September Update, Issue 16, Vientiane, Sept. 2010, p.2. World Bank (Ed.): Lao PDR Economic Monitor, May 2012 update. Vientiane 2012, p. 5. World Bank (Ed.): Lao PDR Economic Monitor, Dec. 2012 update. Vientiane 2012, p. 5

GNI per capita 2014 (Atlas method, current US $)

Source: World Bank Database (World Development Indicators).

Updated 13/09//2015

Wealth in USD per adult in ASEAN and China (2014)

Source: Credit Suisse Research Institute (Ed.): Global Wealth Databook. Zurich 2014, p 20 pp.

Updated 30/10/2014

The Workforce

Minimum Wage
(2015, US $ per month)

Singapore, Myanmar and Brunei Darussalam have no minimum wage regulation: Viet Nam, Indonesia, Philippines and Malaysia apply different minimum wages in their countries; here the lowest and the highest rates have been considered

Source: http://www.doingbusiness.org/data/exploreeconomies/lao-pdr/ as of April 26th, 2015

ADB, ILO (Ed.): ASEAN Community 2015: Managing integration for better jobs and shared prosperity. Bangkok 2014, p. 68

Updated on Apr. 26, 2015

Average monthly wage in US $
(most recent year)

Source: ADB, ILO (Ed.): ASEAN Community 2015: Managing integration for better jobs and shared prosperity. Bangkok 2014, p. 67.

Updated on Oct. 29, 2014

FDI

Approved Foreign and Domestic Investment 2000 – Sept. 2013 per Sector and Source (1000 USD)

Source: Ministry of Planning and Investment.

Update: 15. Oct. 2013

Approved Foreign and Domestic Investment 2000 – Sept. 2013 per sector (1000 USD)

Total Investment: 22 bln. USD

Source: Ministry of Planning and Investment.

Update: 15. Oct. 2013

Approved Investments in Lao 2000 – Sept. 2013 (mln. USD)

Source: http://www.investlaos.gov.la/show_encontent.php?contID=29 as of June 04, 2013

Updated 04/06/2013

Lao PDR: Law on Investment Promotion

- Representative Office, Joint Venture (JV) or Wholly Foreign Owned Investment (WFOI) possible
- No limits on repatriation of profits
- Capital of foreign investment in general business shall not be less than 1 bln. LAK (approx. 120.000 US $)
- Facilitation of investment procedures through introduction of one-stop-service
- Depending on sector and location of investment profit tax exemptions of up to 10 years possible as well as further incentives
- Favourable conditions in Special Economic Zones (SEZ)
- SEZ can be developed by foreign investors
- Foreign investors with registered investment capital of not less than 500,000 US $ are entitled to land use right

Special Economic Zones (SEZ)

№	SEZ	Establishment
1	Savan-Seno Special Economic Zone	2003
2	Boten Beautiful Land Specific Economic Zone	2003
3	Golden Triangle Special Economic Zone	2007
4	Vientiane Industrial and Trade Area	2009
5	Xaysettha Development Zone	2010
6	Phoukhyo Specific Economic Zone	2010
7	That Luang Lake Specific Economic Zone	2011
8	Longthanh-Vientiane Specific Economic Zone	2008
9	Dongphosy Specific Economic Zone	2012
10	Thakhek Specific Economic Zone	2012

Vientiane Industrial Trade Area (VITA Park; est. 2009)

Name	Location and Establishment	Total Investment Value (USD)	Objectives	Benefits Offered
Vientiane Industrial and Trade Area (also known as VITA PARK) The project site is located 22 km from the center of Vientiane Capital.	Saythany District, Vientiane Capital **Developer**: 100% by the Government of Lao PDR in collaboration with Taiwanese Developers **Area**: 110 ha	43,000,000 **Land Tenure**: 75 years	Trade, Industries, Commerce, Services	1. Land Lease: 0.025 -0.06 USD/m²/month 2. Water Fee: 0.25-0.35 USD/m³ 3. Electricity: 0.059-0.065 USD/Kwh ▪ **Services Sector**: Profit Tax Exemption: 2-10 years, afterward 8% or 10% corporate profit tax will be applied. ▪ **Trade Sector**: Profit Tax Exemption: 2-5 years, afterward 10% corporate profit tax will be applied. ▪ **Industrial Sector**: Profit Tax Exemption: 5-10 years, afterward 8% corporate profit tax will be applied. ▪ 5% of Personal Income Tax is applied for Expatriate & Local Staff

Source: DFDL

Updated on 11/09/2015

Savan-Seno Special Economic Zone (est. 2003)

Name	Location and Establishment	Total Investment Value (USD)	Objectives	Benefits Offered
Savan-Seno Special Economic Zone. The project sites are close to Road № 9 as a part of East-West Economic Corridor and the Second Lao-Thai Friendship Bridge	Savannakhet Province/2003 **Developer**: 100% by the Government of Lao PDR in collaboration with Malaysian Developers **Area**: 954 ha	74,000,000 **Land Tenure**: 75 years	Trades, Services, Industries.	1. Land Lease: 0.3 USD/m²/year 2. Water Fee: 0.3-0.66 USD/m³ 3. Electricity: 0.03-.08 USD/Kwh ▪ **Services Sector**: Profit Tax Exemption: 2-10 years, afterward 8% or 10% corporate profit tax will be applied. ▪ **Trade Sector**: Profit Tax Exemption: 2-5 years, afterward 10% corporate profit tax will be applied. ▪ **Industrial Sector**: Profit Tax Exemption: 5-10 years, afterward 8% corporate profit tax will be applied. ▪ 5% of Personal Income Tax is applied for Expatriate & Local Staff

Source: DFDL

Updated on 11/09/2015

Employment of foreign staff in selected Special Economic Zones

Savan-Seno SEZ: Foreign employees hired to work in Savan Seno SEZ shall not exceed 30% of the total number of staff.

VITA Park: Foreign employees hired to work in VITA Park shall not exceed 34% of the total number of staff (or one foreigner for 3 employees).

Lao Labor Law: 15% manual labor foreign workers of the total number of Lao workers and 25% skilled foreign workers of the total number of Lao workers

Source: DFDL

Updated on 11/09/2015

Taxes

Highest Rate of Personal Income Tax (2011-2014)

* 2010
**2012

Updated 30/10/2012

Source: KPMG (Ed.): KPMG's individual income tax and social security rate survey 2010. w/o loc., Sept. 2010, p. 6, 7. ; pers. Information from GTZ Laos; http://www.ocm.gov.kh/c_tax.htm as of Nov. 18th 2010.

Updated 17/05/2016

* 2014

Source: https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html as of May 17th 2016; MoF, GoL

Doing Business in Laos

Ease of Doing Business 2016, Regional Comparison of Overall Ranking

Explanation: Ranking 189 countries where Rank 1 is the best, rank 189 the lowest world wide.

Source: World Bank Group (Ed.): Doing Business 2016. Measuring Regulatory Quality and Efficiency. Washington 2016. p.5

Updated 03/11/2015

Ease of Doing Business 2016, Changes in Ranking 2016 compared with 2015

Explanation: Ranking 189 countries where Rank 1 is the best, rank 189 the lowest world wide.

Source: World Bank Group (Ed.): Doing Business 2016. Measuring Regulatory Quality and Efficiency. Washington 2016. p.5

Updated 03/11/2015

Cost of Business Start-up Procedure (% of income p.c., 2015)

Source: World Bank Database (Doing Business Dataset).

Updated 01/11/2015

Time required to start up Businesses (days, 2015)

Source: World Bank Database (Doing Business Dataset).

Updated 01/11/2015

Corruption Perception Index 2015

(Ranking of 168 countries)

Source: Transparency International (ed.): Corruption Perception Index. Online: http://cpi.transparency.org/cpi2014/.

Updated 23/02/2016

What Lao firms identify as major obstacles for their business (% of firms)

Source: The World Bank Group (Ed.): Lao PDR Country Profile 2012. Enterprise Surveys. March 2013, P 3

Updated 18/05/2013

Business Confidence H1, 2015

How did your business situation develop over the last 6 months?

How do you expect your business situation to develop over the next 6 months?

How do you expect your profit to develop over the next 6 months?

How do you expect your profit to develop over the next 6 months?

Local companies, industry perspective

Business indices

SWOT Analysis of the Lao Economy

SWOT analysis of Lao PDR as a place to do business:
1: Strengths

- Political stability
- High economic growth rates
- Business friendly laws and continuation of economic reforms
- Good business climate and business confidence
- Reliable energy supply
- Low wages
- Decent living conditions for foreign experts and managers (exception: health care)

SWOT analysis of Lao PDR as a place to do business: 2: Weaknesses

- Small domestic market with limited mass purchasing power
- Moderate level of vocational skills
- Land locked (land linked?) country with sometimes poor infrastructure beyond the main roads resulting in high transportation cost
- Topography detrimental to traffic and low population density
- Banking system and financial system are still developing
- No easy place to do business

SWOT analysis of Lao PDR as a place to do business: 3: Opportunities

- Rich in natural resources
- Privileged access to the EU market
- Infrastructure projects
- Growing tourism
- Little competition in many industries
- Good opportunities for machine building and civil engineering companies (among other equipment for hydro power plants, textile industry etc.)

SWOT analysis of Lao PDR as a place to do business: 4: Threats

- Sometimes weak and inconsistent implementation and application of laws and regulations
- Jurisdiction is not always independent or neutral
- High level of bureaucracy and not always transparent administrative decision making
- Corruption

Lao PDR: Business Opportunities

- Tourism
- Construction and civil engineering incl. infrastructure
- Power generation and sales of equipment
- Mining, sales of mining equipment
- Environmental Technologies
- Communication sector
- Agro processing
- Logistics
- Etc.