



COUNTRY PROFILE

LAO PEOPLE'S DEMOCRATIC REPUBLIC (LAO PDR)



LAO PEOPLE'S DEMOCRATIC REPUBLIC (LAO PDR) – Basic Facts



Languages



Capital
Vientiane, population
948,477
(Census 2020)



Political system
Unitary Marxist–Leninist
one-party socialist republic



GDP

Nominal GDP
\$ 20.153 billion

(World Economic Outlook Database, IMF 2019)

GDP per person
\$ 2,670

GDP growth rate
6.9% in 2017

(CIA World Factbook 2019)



Population

7,061,507
(UNDESA 2019)



Urbanisation

Urban population
36.3%
of total population
(2020)

Rate of urbanisation:
3.28%
annual rate of change
(2015–20 est.)

www.indexmundi.com



Age structure

0–14
years

31.25%

1,177,297 | 1,149,727

15–24
years

20.6%

763,757 | 770,497

25–54
years

38.29%

1,407,823 | 1,443,774

55–64
years

5.73%

206,977 | 219,833

65
years
and over

4.13%

139,665 | 168,046

www.indexmundi.com (2020 est.)



Number of registered SMEs and numbers employed in relation to the total number of registered companies

Updated in 2017, from the original Prime Minister's Decree 42 on the "Promotion of Small and Medium Enterprises", Small and Medium Enterprises (SMEs) can be registered in three different categories: Manufacturing, Trade and Services.

- Micro enterprises – between 1-5 staff on average or with total assets not exceeding 100 to 200 million LAK depending on type of business (USD 11,250 – 22,500) and annual turnover under 400 million LAK (USD 45,000).
- Small enterprises – between 6-50 staff on average or with total assets not exceeding 1 billion LAK (ca. USD 112,500) or an annual turnover not exceeding three billion LAK (ca. USD 340,000).
- Medium enterprises – between 51-99 staff or total assets not exceeding four billion LAK (ca. USD 450,000 or annual turnover not exceeding six billion LAK (ca. USD 675,000).

For each of the categories, there are different financial requirements depending on whether a company is a manufacturing business, a trader / wholesaler or a services company.

According to the Lao PDR Steering Committee on Economic Census, which was last carried out in 2006, there are 126,913 enterprises:

Size of company	No. of companies	% of companies	No. of employees	% of employment
Micro	125,616	98.98%	238,670	69.2%
Small	1,081	0.85%	42,261	12.2%
Medium	196	0.15%	64,207	18.6%
Large	20	0.015%	-	-
Total	126,913	100%	345,138	100%

The structure of the Lao business sector

According to the Ministry of Industry and Commerce, more than 100,000 enterprise registration companies are listed. 98% are SMEs and 98.8% are private enterprises. State-owned enterprises account for only 0.2% and are mainly in the energy sector (Electricity du Laos and EDL Gen), the water supply sector (Lao Water Supply) and the logistics and logistics sector (Lao Airlines, Lao Transport, Lao Fuel Enterprise).

More than 60% of Lao enterprises are located in the capital and four major cities: Vientiane Capital (22.7%), Savannakhet (11.4%), Vientiane province (9.1%) and Luangprabang (7.6%).

(Source: LNCCI and ILO Survey)



Overview



Lao PDR is a landlocked country in Southeast Asia, bordered by Myanmar and China to the northwest, Viet Nam to the east, Cambodia to the south and Thailand to the west. For the past ten years, the Laotian economy has grown by nearly 8%, and the country is entering a period of greater regional and global integration. The country entered the WTO in 2013, and this, combined with the creation of the ASEAN Economic Community in 2015 has led to a number of policies to improve business and investment opportunities.

Lao PDR has benefited from its position sandwiched between China, Thailand and Viet Nam, and trade is increasing rapidly with these three countries, but also with Malaysia, Korea, France, Hong Kong and Netherlands. The largest trade partners are Thailand (US\$ 2.11 bn. exports, US\$ 4.15 bn. imports), China (US\$ 1.42 bn. exports, US\$ 1.51 bn. imports) and Viet Nam (US\$ 516 m. exports, US\$ 687 m. imports). Trade with China is expected to grow rapidly as result of the transport infrastructure projects under the Belt and Road initiative.

The country is primarily agrarian, with nearly 70% of the workforce employed in agriculture. The population is overwhelmingly young with 50% of the population under the age of 25 and 60% under 35. There is a small but growing middle class population centred around a few cities including Vientiane, Savannakhet and Luang Prabang.

Although Lao PDR is not very globalised, the World Bank estimated that the country's growth declined drastically in 2020 to -0.6 percent and has affected Lao PDR's progress on poverty reduction. The sharp drop in domestic revenues has naturally led to a worsening of the fiscal situation and a rising debt issue. The government has initiated a number of relatively small actions to mitigate the worst effects of the pandemic on the economy, including removing income tax on monthly salaries under 5 million LAK (ca. US\$ 550), lifting of national security fund payments and removal of certain import tariffs. It is projected that Lao PDR will have a growth rate of up between 2.8% and 4.9% in 2021, depending on further interruptions to the global economic recovery.





Challenges and opportunities

Lao PDR has some challenges with an undeveloped commercial law and a court system which is still in its early stages. The concept of contract law is not well understood or respected and there is frequently conflicting legislation issued by the government. The Lao government has however the goal of becoming a rule of law state by 2020. Taxation and corruption are other issues frequently identified by companies as a barrier to trade, with complicated administration procedures for the former and bribery a common occurrence.

While customs procedures are improving, including the use of electronic systems to improve the speed of administration for traded goods, there are still challenges. Processing time in 2018 for customs clearance is still around 9 hours with an average cost per shipping container of US\$ 1,800.

On the positive side, the government has set up a number of Special Economic Zones (SEZ) which have attracted a number of foreign investors, including large companies such as Toyota, Nikon, and Coca-Cola, attracted by a combination of tax exemption, cheap hydropower energy and a young and inexpensive labour force. The Laotian energy sector is open to foreign investment, and there are already many foreign companies in the country with investments into hydropower generation, transmission and distribution. While being landlocked is usually seen as a disadvantage, the Laotian government is trying to place the country as an important bridge between China and the rest of the ASEAN community.

There is a slowly expanding middle class, with increased disposable income, which is helping to push the development of the retail and services sectors in the country. The retail sector was opened to foreign companies during the past five years and there are increasing numbers of foreign companies operating in the country.

The agricultural sector is also a priority for the Laotian government, where land is comparatively underutilised compared with neighbouring regions and where there is a need for modernisation of agricultural equipment and processes across the entire sector. Apart from agriculture, the land is also rich in minerals with gold, copper, bauxite and potash.

Tourism is another growth area, where the country is moving from being a backpacker destination to marketing itself to wealthier foreign tourists, who want to fly in to Vientiane and Luang Prabang. The airports have been expanded and now include regular flights to other Asian destinations, including Cambodia, China, Japan, Korea, Malaysia, Singapore, Thailand and Viet Nam.

Airports are not the only infrastructural development. The railway system is being expanded with a high-speed rail connection from Vientiane to Kunming in southern China expected to open in 2021. Domestic routes are also under construction to link Boten, Luang Prabang, and Vang Vieng with the capital. Similarly, there is a new highway, from Vientiane to the Chinese border at Boten and improved routes to Thailand from the cities of Boten and in Savannakhet province.



















After many years, where Lao PDR remained a strongly agricultural and rural region, the country has begun to develop rapidly, albeit from a low base. The country still has large challenges related to infrastructure and transport, corruption and **bureaucracy**, but efforts are being made across the field to improve Lao PDR business environment and there are increasing opportunities in many industries, including agriculture and farm management, tourism, retail and the service sector in general. There are also opportunities for larger companies in mining, hydropower generation and major infrastructure.

Further information and assistance can be obtained from:



- Lao National Chamber of Commerce and Industry <https://lncci.la/>
- The Lao Trade Portal will help traders to find all the information regarding import goods into Lao PDR and export goods from Lao PDR, including information related to import/export process, regulations for specific products, relevant laws and other useful information: <https://www.laotradeportal.gov.la/index.php?r=site/index>
- Invest in Laos <http://www.investlaos.gov.la/>



Trade figures by country

 Largest import partner	 Trade value million USD (WITS 2016)	 Partner share %
 Thailand	2,541	61.88
 China	749	18.24
 Vietnam	413	10.06
 Japan	89	2.16
 South Korea	80	1.96

 Largest export partner	 Trade value million USD (WITS 2016)	 Partner share %
 China	1,128	36.12
 Thailand	977	31.29
 Vietnam	538	17.22
 India	87	2.80
 Japan	58	1.85

Trade figures by product

 Largest exports by 6-digit HS code	 Value USD (thousands) WITS 2016
260300 Copper ores and concentrates	727,999.98
740311 Copper, refined, in the form of cathodes and sections of cathodes	368,949.31
080300 Bananas, including plantains, fresh or dried	197,813.53
852110 Video recording or reproducing apparatus magnet	168,098.45
220290 Other non-alcoholic beverages	151,532.89

 Largest imports by 6-digit HS code	 Value USD (thousands) WITS 2016
271000 Petroleum oils, etc, (excl. crude); preparation	541,226.10
855290 Parts and accessories suitable for use solely or principally with sound reproducing and recording apparatus and with video equipment for recording and reproducing pictures and sound (excl. pick-up devices for grooved recording media)	210,487.06
870333 Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, with only diesel engine of a cylinder capacity > 2.500 cm ³	177,905.62
220290 Other non-alcoholic beverages	175,667.20
870332 Motor cars and other motor vehicles principally designed for the transport of <10 persons, incl. station wagons and racing cars, with only diesel engine of a cylinder capacity > 1.500 cm ³ but <= 2.500 cm ³	113,734.86

Source: <https://wits.worldbank.org/CountryProfile/en/Country/LA0/Year/2016/Summary>

Import restrictions by country, e.g., quotas or non trade-barriers



Lao PDR has a number of national restrictions or requirements on imports and exports including trade with motor vehicles, diesel, gas and petrol, fruit and vegetables, firearms and explosives, and cultural heritage items. A full searchable list of the relevant laws can be found on:
<https://www.laotradeportal.gov.la/index.php?r=SearchMeasures/index>

Product and Trade indexes

(efficiency of customs clearance, openness to trade and trade tariffs)



The ASEAN Trade in Goods Agreement (ATIGA) aims to achieve free flow of goods in the region resulting in fewer trade barriers and closer economic linkages between the ten Member States, lower business costs, increased trade, and a larger market and economies of scale for businesses. The agreement was signed by the Economic Ministers of the Governments of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam, Member States of the Association of Southeast Asian Nations (ASEAN) on 26 February 2009 at Cha-am, Thailand. From 1st January 2010, Malaysia, Brunei Darussalam, Indonesia, the Philippines, Singapore and Thailand) made a complete free trade area and have eliminated import duties on 99 per cent of products in the Inclusion List (except for products listed in the Sensitive and Highly Sensitive Lists). Today, the ASEAN-6 have 99.20% of tariff lines in the Inclusion List at 0% import duty. This means that, only 0.35 per cent of the tariff lines in the Inclusion list incur import duties.

Form D is required in order to benefit from ATIGA preferential tariffs: [download here](#).

With the exception of Special Economic Zones, Lao PDR imposes 10% VAT on traded goods independently of the excise rates. A VAT calculator can be found on the Tax Department website on <http://taxservice.mof.gov.la/websquare/websquare.do>

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On April 23, 2019, the **ASEAN Trade in Services Agreement (ATISA)** was signed at the 25th ASEAN Economic Ministers Meeting in Phuket, Thailand, entering into effect 180 days later. It aims at achieving an improvement of the regulatory standards for the services sector in the region, as well as a reduction of unnecessary barriers to the trade in services within ASEAN, and at increasing regulatory transparency in each of the ten member states. The agreement does not commit to a fixed timetable for implementation and enforcement. More information can be found on <https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>

Business dynamism index

(financing to SMEs, costs of starting a business, time of starting a business)



January 2020 figures from the World Bank show that Lao PDR retains its currently rank 154 among 190 economies in the ease of doing business. Lao PDR has been ranked at an average 154 for over a decade. The country is in the process however of improving the ease of setting up a business, obtaining construction permits and getting power supplied to new facilities, so this is expected to improve during 2020.

According to figures from Transparency International in their 2018 Corruption Perceptions Index, Lao PDR is the 132 least corrupt nation out of 175 countries. At the same time, Lao PDR is the 113 most competitive nation in the world out of 140 countries ranked in the 2018 edition of the Global Competitiveness Report published by the World Economic Forum.

Setting up a company is a particularly lengthy process, taking on average 173 days and placing Lao PDR firmly towards the bottom of the World Bank list with a placing of 181 out of 190. There are many different processes involved, including:

- Obtaining the Enterprise Registration Certificate (ERC) from the Department of Industry and Commerce Vientiane Capital.
- Registering the Articles of Association at the State Asset Management Office, Ministry of Finance
- Applying for Tax Registration Certificate from the Tax Department.
- Attending a tax orientation meeting and obtaining a Tax Identification Number (TIN), again at the Tax Department.
- Carving and registering a company seal at the Ministry of Industry and Commerce and Ministry of Public Security
- Obtaining consent for names, signs and logos from the Ministry of Information Culture and Tourism
- Registering any staff for social security at the Social Security Office
- Applying for and receiving a VAT number from the regional tax office.

A full list of the procedures can be seen [here](#).

Many industries require supplementary licenses or registration to be obtained including running banks and insurance offices, food and beverages, medical and pharmaceutical, construction, transport and freight forwarding. A list of the supplementary registration procedures can be found [here](#).