



Doing Business in Laos: 2009 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Laos

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Market Overview

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Statistics from the Economist Intelligence Unit and U.S. Government, for 2008 except where noted:

- Population: 6.0 million
- GDP: \$4.5 billion
- GDP per capita: \$874
- Total Imports (fob): \$1.4 billion
- Total imports from U.S.: \$18.3 million
- Total Exports to U.S.: \$42.4 million

Thailand, Vietnam, and China dominate the Lao economy, with heavy participation in certain sectors by Korea, France, Japan, India, Malaysia, Singapore and Australia. American companies play almost no role in Laos.

Laos is one of five remaining communist countries in the world. Although it continues its transition to a market economy, the legacy of communism continues to weigh on both governance and the economy.

Human capacity in Laos is low and finding skilled workers a major challenge.

Useful Web links:

U.S. Embassy in Vientiane, Laos: <http://vientiane.usembassy.gov/>

U.S. Census Trade data: <http://www.census.gov/foreign-trade/balance/c5530.html#2008>

CIA World Factbook: <https://www.cia.gov/cia/publications/factbook/geos/la.html>

Market Challenges

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- Customs procedures are often opaque, and duties levied often do not comport with listed tariffs.
- Commercial law and the commercial court system within Laos are developing

- slowly and are not transparent.
- Business disputes are rarely adjudicated in favor of the foreign investor.
 - Procedures for investment are cumbersome and approvals often do not occur within times stated within the rules.
 - Laws and procedures are subject to change at short notice and without prior consultation with, or notification of, the private sector. A list of Lao laws translated into English can be found at:
http://www.undplao.org/whatwedo/bgresource/gov_laolaws.php
 - The World Bank's "Doing Business" project provides a comparison of Laos with 180 other economies at:
<http://www.doingbusiness.org/ExploreEconomies/?economyid=107>

Market Opportunities

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- The power sector, especially hydropower and coal, is open to foreign investment, with many international firms represented.
- Laos has abundant mineral wealth, much of which remains unexploited although many foreign firms are active.
- Agribusiness, including plantation agriculture (rubber/coffee/timber/corn), has attracted foreign investment.
- The Lao government has targeted tourism, especially ecotourism, as a major area of future growth. Laos was rated the #1 "Place to go" by the New York Times in 2008.

Market Entry Strategy

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- American companies considering investments in Laos are advised to visit the country several times, as personal relationships are key to locating suitable Lao business partners and avoiding misunderstandings.
- Approximately 36 American businesses or their agents operate in Laos. There is currently no American Chamber of Commerce in Laos, but foreign businesses may apply for membership in the Lao National Chamber of Commerce
<http://www.lncci.laotel.com/>
- Additionally, there are Chinese, French, and Australian-New Zealand Chambers of Commerce in Vientiane.
The Australian-New Zealand Chamber is at: <http://www.anzba.org/>

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2770.htm>

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Using an Agent or Distributor

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Many import-export companies exist in Vientiane and in the cities located at or near border crossings, such as Bokeo, Khammouane, Savannakhet and Champasack. Most import-export companies are ill-equipped to handle large-scale distribution, however. US firms looking for a distributor or an agent in a particular province should contact the provincial branch of the Lao National Chamber of Commerce (LNCC), <http://www.lncci.laotel.com/> and the Trade and Investment Department of each province. The LNCC can help identify business partners.

Establishing an Office

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To apply for a foreign investment license, a foreign investment application must be processed through the one-stop service of the Department for Promotion and Management of Domestic and Foreign Investment (DDFI), part of the Ministry for Planning and Investment (MPI). Foreign investors wishing to invest in Laos must submit an application to the DDFI at the central or provincial level with copies of the passport and resume of the foreign investor; feasibility study or business plan; information related to the business (of the investor) if it is a legal entity; and a copy of the joint venture agreement in cases of joint venture formation.

For further information see: <http://invest.laopdr.org/>

Upon receipt of an application to establish an office, the DDFI coordinates with relevant sectors and local authorities to consider the project and responds in writing to the foreign investor. Depending on investment type, the DDFI generally responds in 15 to

45 working days.

Foreign investors that are qualified under this law receive a foreign investment license, an enterprise registration certificate, and a tax registration certificate at the same time from the DDFI at the place where the foreign investors are licensed.

Within 90 days of the date of receipt of an investment license, the foreign investment enterprise must commence business activities in accordance with the steps in the feasibility study stipulated in the foreign investment license. If the timeframe is not followed, the foreign investment license may be terminated.

Franchising

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Laos has no specific law regulating franchises. A pizza franchise and an ice-cream franchise are expected to open in 2009.

Direct Marketing

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Direct marketing in Laos is difficult because of low telephone density, (currently only 36 in 100 households has telephone service), poor roads, limited postal coverage, and low literacy rates (69% according to UNESCO). Cell phone coverage and use is expanding rapidly.

Joint Ventures/Licensing

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Lao foreign investment law recognizes joint ventures, but requires the foreign partner to contribute at least thirty percent of 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. Foreign partners' equity may be foreign currency, plant and equipment, capital goods, technology, and/or skills and management. Lao partners (including the Lao government) may contribute money, land, water rights, natural resources, and/or capital goods. The value of the inputs and assets of each side are assessed at international market rates and converted into local currency at the prevailing exchange rate on the date of equity payment. The incorporation of joint ventures must comply with the business and enterprise laws of the Lao PDR. Lao business and enterprise laws and regulations should increasingly be available on ministerial websites as part of compliance with the U.S.-Lao Bilateral Trade Agreement.

Licensing would require a trustworthy Lao partner and opportunities should be researched with the Lao government and the Lao National Chamber of Commerce.

Selling to the Government

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Lao Government procurement procedures are opaque. The national budget is heavily financed by Official Development Assistance (ODA), and donors commonly encourage government purchases from their home industries as part of the aid deal. Most business opportunities involving Lao Government entities are associated with donors and their development projects. Contracts in support of these projects are often bid out in the newspapers, though the degree to which these bidding events are open and fair is not clear.

Distribution and Sales Channels

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Generally, import-export wholesale companies import goods into Laos and sell goods to retailers. Goods may enter Laos by air, road, or (less formally) by river. There is no active railroad in Laos as yet, though a short spur line from Nong Khai, in northeastern Thailand, should begin operations in 2009. The lack of a well-developed road system and basic infrastructure in many areas makes distribution outside of the main urban areas in Vientiane, Luang Prabang, Savannakhet, and Pakse difficult, time-consuming, and costly. However, the main north-south route is in good repair, and the North-South and East-West Corridors, intended to eventually connect the Chinese, Vietnamese, and Thai economies through Laos, are generally well-paved and of good quality.

Selling Factors/Techniques

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American products generally enjoy a good reputation for technological sophistication and high quality in Laos. The consumer products of Laos' regional neighbors are far better known, however. The Lao market can be difficult for American products due to their relatively high prices. To compete successfully, some US firms have combined routine advertising with workshops, training programs, trade shows, and product launching events for wholesalers and distributors, as well as customers. The Thai and Lao languages, while similar, are not identical. Nonetheless, as Thai products with Thai language packaging are ubiquitous in Laos, Thai language packaging often suffices. American products that include Lao-language packaging and/or promotional materials are likely to be more positively received.

Electronic Commerce

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Although there is growing interest in the development of telecommunications infrastructure in Laos, there is currently insufficient infrastructure and electronic commerce is virtually non-existent. Broadband internet access was introduced to Vientiane in 2006. Cell phones, however, are often used as part of advertising campaigns and an active market for ringtones and accessories exists. "3 G" cell phone technology is currently being rolled out by various providers.

Trade Promotion and Advertising

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Advertising and trade promotion are important marketing tools for American products. Since nearly all Lao who own televisions watch Thai advertisements, a good reputation and strong advertising campaign in Thailand will likely have a positive effect on Lao consumers as well. Many companies advertise in two Lao local newspapers, Vientiane Mai, a Lao Language newspaper, and the Vientiane Times, an English Language newspaper. A brief listing of major newspapers, business journals, radio, television stations and business advertising companies follows:

Vientiane Times (English Language)
Pangkham Rd. Vientiane, Lao PDR
P.O.Box: 5723
Tel: (856) 21 216-364, 252629 or 217-593
Fax: (856) 21 216-365
<http://www.vientianetimes.com>
Email: info@vientianetimes.gov.la

Pasaxon (Lao Language)
66 Setthathirath Street,
P.O. Box: 1110, Vientiane, Lao PDR
Tel: (856) 21 212-466 or 212-470
Fax: (856) 21 212-470
<http://www.pasaxon.org.La>
Email: infonews@pasaxon.org.La

Vientiane Mai (Lao Language)
36 Rue Setthathirath,

P.O. Box: 989, Vientiane, Lao PDR
Tel: (856) 21 212-623 or 212-624
Fax: (856) 21 215-989 or 212-989
Email: admin@vientianemai.net
www.vientianemai.net

Vientiane Thurakit Sangkhom (business-social, Lao Language)
C/O Vientiane Mai
36 Rue Setthathirath,
P.O. Box: 989, Vientiane
Tel: (856) 21 212-623 or 212-624
Fax: (856) 21 215-989 or 212-989
www.vientianemai.net
Email: webmaster@vientianemai.net

Lao News Agency
80 Setthathirath Ave.
P.O. Box: 3770, Vientiane
E-mail: kplnews@yahoo.com www.kpl@laonet.net
Tel: (856) 21 251090, 215-402, 212-447 or 212-449
Fax: (856) 21 212446, 251090. MB: (856-20) 5400219

Lao National Radio c/o Ministry of Information and Culture
Rue Sethathirath
Tel:(856) 21 212-428, 212-429, 212-431, 212-432 or 212-433
fax: (856) 21 212430 Email: nationalradio@hotmail.com

Lao National TV 1 and 3
Chommany Neua village; Xaythany District, Vientiane Capital.
P.O.Box 3156 Tel: (856) 21 412183, 413766-7 and 710971
Fax: (856) 21 710182 Email: Kinomaru24@yahoo.com; <http://www.lntv.gov.la/>

Lao International Trade, Exhibition, and Conference Center
<http://www.laosstar.com/Laolt/default.asp>

Pricing

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The Lao government continues to control the retail price of gas and diesel, as well as a number of other “sensitive” goods. As Laos moves towards WTO membership price controls as well as unwieldy import restrictions should be sharply limited. Although the Government often discusses the need to control food prices publicly, in practice markets set the price. The “Business Law” notes a number of sectors which the government reserves the right to “closely control.”

<http://www.undplao.org/whatwedo/bgresource/demogov/Lao%20Translated%20Laws/First%20Volume/1.%20Business.pdf>

A list of items subject to import and export controls can be found at:
<http://www.aseansec.org/14292.htm>

A VAT came into force in early 2009. It currently only applies to a small number of large corporations.

Sales Service/Customer Support

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Customer support and service tend to be the province of large multinationals such as Toyota and Ford, which offer excellent in country support. In general, attitudes towards customer service, especially at the retail level, are still developing towards Western levels.

Protecting Your Intellectual Property

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Laos became a member of the World Intellectual Property Organization (WIPO) in 1995, and WIPO began assisting Laos in drafting an intellectual property law in 1996. The National Science, Technology Organization (NSTO), which is part of the Prime Minister's Office, controls the issuance of trademarks on a first-come, first-registered basis. There are currently over 18,109 trademarks registered in Laos. The National Authority for Science and Technology (NAST) website is <http://www.nast.gov.la/>

Laos became a member of the ASEAN Common Filing System on Patents in 2000 but lacks qualified patent examiners. Laos is a member of the Paris Convention on the Protection of Industrial Property in 1998, but has not yet joined the Bern Convention on Copyrights. No system yet exists to actually issue copyrights.

Please see the Investment Climate Statement for more detailed information on IPR protection. In general, although Laos is working towards a stronger IPR protection, there are many IPR violations, especially related to digital content.

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Due diligence is key in the Lao market. Companies are advised to make numerous trips to Laos prior to investing in order to meet both with potential partners and with relevant government officials. Working with a local lawyer (see below) is recommended.

Local Professional Services

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Please see the following website for information on local professional services. The community is small in Laos and it is wise to ask for recommendations.

<http://laos.usembassy.gov/attorneys.html>

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Lao National Chamber of Commerce (LNCC): <http://www.lncci.laotel.com/>
The National Authority for Science and Technology (NAST): <http://www.nast.gov.la/>
Lao Convention Center: <http://www.laosstar.com/Laolt/default.asp>
Local lawyers: <http://laos.usembassy.gov/attorneys.html>
Lao laws (English): <http://www.na.gov.la/eng/laws>
News: <http://www.vientianetimes.com>
<http://www.pasaxon.org.la>
<http://www.lntv.gov.la/>
www.vientianemai.net

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Import Tariffs

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The Lao import tax system aims to promote importation of inputs for investment and production while protecting domestic production and limiting luxury imports. Foreign investors do not pay import duty on imports of capital machinery and equipment for production, or on spare parts. Raw materials and intermediate goods needed for export production are also exempt. Raw materials and intermediate goods imported for import-substituting industries can be accorded special treatment based on an incentive agreement.

There are two standard import tariff rates of 5% and 10%. These published rates are levied by the Customs Department. Importers may face turnover as well as excise taxes. Excise and turnover taxes range from 5% to 10% percent on many goods.

The Lao government began to introduce a Value Added Tax (VAT) in January 2009. Additional tariff, excise tax, and turnover tax information can be found at: Tax Department, Ministry of Finance, Tel: (856-21) 217205 Fax: (856-21) 218569

Trade Barriers

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The Lao Government has simplified its tariff structure and is gradually amending non-tariff barriers. There are reports that Lao customs officials continue to charge arbitrary tariffs on some imported goods. The Bilateral Trade Agreement with the United States lowers tariffs on a range of American products and offers importers the ability to appeal tariff decisions they feel are improper. There is no longer any quota on imports of automobiles and import restrictions are limited. See <http://www.aseansec.org/14292.htm>

Application for an import license must be made to the provincial trade authority where the importing enterprise is located. An import/export license is valid for the life of the business, but the investors must notify the authorities that they intend to continue operating their businesses. The Lao Government offers quotas for importing duty-free vehicles to qualifying individuals and companies.

For general goods, importers are required to have the following documentation for each shipment: 1) invoice; 2) packing list; 3) transport documents; 4) bill of lading; 5) and a customs clearance report. Importers of raw materials for re-export are required to have the same documents as other importers, except for the contract and import license.

Importation of automobiles is not officially restricted by the Lao Government, but the Lao military controls and profits from an unpublicized quota system in which quotas are sold to private sector entrepreneurs who pass those costs on to consumers. Automobile importers, individuals or companies, unless they have obtained duty free status, must pay an import tax, turnover tax, excise tax, and additional tax for luxury goods to the government based on the tariff rates.

Exporters should have the following documents when applying for an export declaration: 1) an application for export declaration; 2) an import/export license (only for goods under control of the ministry or government e.g. rough or polished diamonds); 3) an invoice of goods; 4) a packing list; 5) a certificate of country of origin and generalized system of preferences certificate of origin if applicable; 6) phyto-sanitary certificate for food exports; and 7) industrial products certification for industrial products. Normally documentation requirements depend on the laws of the destination country.

To import or export pharmaceuticals, food, or chemical products, in addition to the aforementioned documents, the importer must obtain a license from the Food and Drug Control Import Division of the Food and Drug Department of the Ministry of Public Health. For more information please contact Food and Drug Control Division, Food and Drug Control Department of the Ministry of Health, at the following fax and phone numbers: Tel: (856) 21 214013-5, 213496; 243657; 222626, 240653, 951096, 263546. Fax: (856) 21 214015. Email: drug@laotel.com. Pre-shipment inspection is required for exported goods in accordance with the requirements of the destination country. Laos has no special labeling or marking requirements.

Several United States export controls apply to Laos. For the most part, these export controls fall under the categories of National Security licensing requirements and the Chemical Weapons Convention. For detailed information regarding U.S. export controls please contact the Bureau of Industry and Security within the U.S. Department of Commerce at www.bis.doc.gov.

Temporary Entry

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Products imported for the purposes of processing, assembly into finished products, or for exhibition and subsequent re-export, are exempt from duty. Trans-shipment of goods through Laos requires the same documents normally needed for import and export. Goods traveling through Laos are not subject to import or export taxes.

Labeling and Marking Requirements

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Laos has no laws governing product labeling and marking.

Prohibited and Restricted Imports

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Notification No 1367/MIC.EID, dated October 10, 2006, outlines prohibited imports. The list of prohibited goods for import are: firearms, bullets, explosives, war weapons and vehicles, opium seeds, opium flowers, marijuana, dangerous pesticides, obscene and salacious products, and materials that have a negative impact on Lao culture and national stability.

List of goods that cannot be exported: Rifles, bullets, explosives, war weapons and vehicles, opium seeds, opium flowers, marijuana, animals and animal products otherwise prohibited from export in other regulations, lumber, plain wood or sawed wood, agar wood or eagle wood which is cut from natural forest, primitive orchids, raw rattans, sulfur (bat manure), antiques, national heritage or historical products, and antique Buddha statues.

Items for which exporters must obtain a permit include:

Live animals including fish and aquatic animals; paddy rice; lac, benzoin and other forestry products; mine products; wood and wooden products; unpolished diamonds; sanded silver and pieced gold.

For a detailed list of import & export restrictions, please visit

<http://www.moc.gov.la/default.asp>

Customs Regulations and Contact Information

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Customs contact information:

Mr. Santiphab Phomvihan, Director Customs Department, Ministry of Finance
Tel: (856) 21 213810 or 223520 Fax: (856) 21 -217452
Email: santipharb@mof.gov.la

Mr. Khampoun Inpengrasbout Head of Foreign Cooperation Division, Customs Department, Ministry of Finance, Vientiane Tel: (856) 21 223524 Fax: (856) 21 223521 MB: 5803072

Mr. Silivanh Phankhamphio, Deputy Director of International Relations Division Customs Department, Ministry of Finance Tel: (856-21) 223524, Fax: (856-21) 223521 Email. sirivanhp@yahoo.com

Mr. Khoun Southammakhoth, Director General, Department of Import/Export, Ministry of Industry and Commerce Tel: (856-21) 412007. ext 232 or Tel/Fax: 412010. Email: southak@yahoo.co.uk

Mr. Souliyol Philavong, Deputy Director of Import/Export Department, Ministry of Industry and Commerce, Vientiane Tel: (856-21) 412007 ext 232 Tel/Fax: 413910.

Lao Customs Department: <http://laocustoms.laopdr.net>

Standards

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Overview

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Laos has no specific law on standards for imported or exported goods. Imported goods are allowed to enter based on the certification of the country of export.

Standards Organizations

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NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Labeling and Marking

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Laos has no laws governing the labeling and marking of products.

Trade Agreements

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Laos became a member of ASEAN in 1997 and has committed to bringing its tariff rates into line with its AFTA commitments. Laos is currently in negotiations to join the World Trade Organization. The following countries have granted Generalized System of Preference (GSP) status to Laos: Japan (for all products); Australia (no import tax); European Union; South Korea; Norway and Switzerland. Laos has also signed trade agreements with 18 countries, including: Vietnam; China; Cambodia; Burma; Thailand; North Korea; Philippines; Mongolia; Indonesia; Malaysia; Bulgaria; Russia; India; Belarus; Argentina; the United States; Kuwait and Turkey.

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Lao Customs Department: <http://laocustoms.laopdr.net>
Lao Trade Promotion Center: <http://www.laotrade.gov.la>
<http://www.nist.gov/notifyus/>

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Openness to Foreign Investment

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The Lao government is open to foreign investment as a matter of policy. It allows 100% foreign ownership of investments. The overall investment climate is poor but improving. Laos rates very low in international indices of transparency and ease of doing business.

The economic reforms adopted in 1988 and Decree No. 73/PO, dated October 22, 2004, aim to promote foreign direct investment as a means of boosting development and economic growth. Under the 2004 Law on the Promotion of Foreign Investment, scheduled to be updated at the end of 2009, foreign investors may invest in all business sectors and zones of investment in the Lao People's Democratic Republic, except in business activities which are detrimental to national security, have a negative impact on the environment, or are regarded as detrimental to health or national traditions. In recent years Laos has seen a significant increase in FDI, especially in mining, hydropower, and plantation agriculture. According to Lao government figures, the five largest foreign investors are Thailand, China, Vietnam, France, and Japan.

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. Perhaps the most well-known is the Nam Theun II dam, whose 25% government ownership stake was financed by a wide range of international financial institutions. The investment term of a foreign investment enterprise depends on the nature, size, and conditions of the business project but normally cannot exceed fifty years. Under special circumstances, foreign investment enterprises may be extended with the approval of the government. However,

foreign enterprises that receive extension approval from the government may not exceed a total investment term of seventy-five years.

Foreign investors seeking to establish operations in Laos must submit project proposals to the Department for Promotion and Management of Domestic and Foreign Investment (DDFI), Ministry for Planning and Investment (MPI). The proposal is then screened by the relevant line ministries and adjudicated by the Prime Minister's Office. Under Prime Minister Decree No 301, dated October 12, 2005, proposals for projects worth \$20 million USD or more require the approval of the Prime Minister. The Minister of MPI can approve investments below \$20 million USD while the Vice Minister can approve investments of less than \$10 million USD. FDI equal to or less than \$3 million USD can be approved at the provincial level by all provinces, and in four of the larger provinces – Vientiane Capital, Savannakhet, Champasack, and Luang Prabang, the ceiling for provincial level approval is \$5 million.

Foreign investors 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 either be a new company or a branch office of an existing foreign company. Throughout the period of operation of a foreign investment enterprise, the assets of the enterprise must not be less than its registered capital. The screening process at the Department for Promotion and Management of Domestic and Foreign Investment (DDFI) in the Ministry of Planning and Investment (MPI) takes into account the financial and technical feasibility of the project, input from relevant line ministries, and whether the proposed project conflicts with government policy. Upon receipt of an application, the MPI must coordinate with relevant sectors and local authorities to consider and respond in writing to the foreign investor. Responses to projects, depending on project type, are supposed to be forthcoming within 15–45 working days.

Foreign investors are required to obtain a foreign investment license, an enterprise registration certificate, and a tax registration certificate from the MPI office nearest the place where the foreign investors are licensed. Thereafter they shall be considered as enterprises established in conformity with the laws of the Lao People's Democratic Republic. Within 90 days from the date of receipt of an investment license the foreign investment enterprise must commence business activities. If the investors fail to do so, the foreign investment license is subject to termination.

In addition to the investment license, foreign investors are required to obtain other permits. These include a business registration which must be annually renewed from the Ministry of Industry and Commerce, a tax registration from the tax department in 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 Public Works and Transportation, etc.), appropriate permits from local authorities, and an import-export license, if needed. Obtaining the necessary permits can pose a challenge to foreign investors, especially in areas outside the capital. The recent creation of a "one-stop shop" for many permits within the Ministry of Planning and Investment should help ease permitting difficulties in the future.

Lao law provides for sanctity of contracts. The following link is for a translation of the Lao contract law.

<http://www.undplao.org/whatwedo/bgresource/demogov/Lao%20Translated%20Laws/First%20Volume/4.%20Contracts.pdf>

However, since Laos is a communist one-party state, the sanctity of contracts is subject both to political interference and a number of socialist principles enshrined in the law. The Mekong Law Group, a well-known local law firm, has noted in its "Lao Legal & Investment Guide" that according to the contract law:

- A contract can be voided if it is disadvantageous to one party, and
- A contract is void if it conflicts with State or public interests.

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.

In 2006 the Lao government ceased imposing import restrictions on trading companies, whether foreign or domestic, in an effort to let the market respond to actual demand. The Lao government no longer requires companies to file an annual import plan for approval by the Ministry of Commerce. The main exception is the fuel industry, where individual companies are still 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 that are always 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. For a detailed list of import & export restrictions please visit <http://www.moc.gov.la/default.asp>.

Agriculture production and most manufacturing production is private. State-owned enterprises (SOEs) currently account for only one percent of total employment. Approximately 97 percent of manufacturing units are small (fewer than 10 employees). Foreign companies interested in acquiring SOEs should apply through the Department for Promotion and Management of Domestic and Foreign Investment (DDFI) in the Ministry of Planning and Investment (MPI). Equity in medium and large-sized SOEs can be obtained through a joint venture with the Lao government.

Conversion and Transfer Policies

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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. Australian, Vietnamese, Thai, Cambodian and Malaysian banks currently have a presence in Laos. Bank accounts must be maintained in accordance with the Enterprise Accounting Law. The 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 so long as they request approval from the Lao government. These transactions are conducted at the official exchange rate on the day of execution, upon presentation of appropriate documentation. Supply of foreign exchange has in the past been limited in Laos, which imposed a de facto limit on repatriation of capital. Foreign currency inflows in recent years, however, have reportedly solved this problem and large multinationals in Laos report no problems with access to foreign exchange. Foreign enterprises must report on their performance annually and submit annual financial statements to the Ministry of Planning and Investment (MPI).

Expropriation and Compensation

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Foreign assets and investments in Laos are protected by laws and regulations against seizure, confiscation, or nationalization except when this is deemed necessary for a public purpose, in which case foreign investors are to be compensated. While there have been no expropriations, the Lao Government has in some cases revoked the foreign investment licenses of companies in a less than transparent process. Revocation of an investment license cannot be appealed to an independent body, and companies whose licenses are revoked must then liquidate their assets relatively rapidly. In addition, a company that fails to begin conducting business within ninety days of registering could be dissolved, if it does not have a reasonable explanation.

Dispute Settlement

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According to the Foreign Investment Law, investors involved in investment disputes must seek arbitration before taking legal action. If arbitration does not result in an amicable settlement, litigants may submit their claims to the economic arbitration authority of Laos, or that of the investor's country, or an international organization agreed on by both parties. In practice, there are no adequate independent arbitration venues in Laos. Foreign investors are therefore generally advised to seek arbitration outside the country, since Laos' nascent domestic arbitration authority lacks enforcement powers. 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. In 2007, two U.S.-owned small companies were involved in disputes with the Lao government. One company had its investment license revoked and the U.S. owners were given no option other than to liquidate their assets. The second company was unable to renew its operating license in 2008 and is in the process of departing Laos. The Lao government has cooperated with the Embassy in addressing the disputes.

Laos' legal system is evolving, but remains incomplete in many regards. Laws sometimes contradict each other and often lack implementing regulations. For example, tax exemptions and low import duties guaranteed to foreign investors under the foreign investment law are not reflected in customs or tax law. Supported by the Japan International Cooperation Agency (JICA), Singapore, and the United Nations Development Program (UNDP), some laws have been officially translated into English. These include the business, tax, bankruptcy, customs, and secured transaction laws. Implementing regulations for the Foreign Investment Law, which are crucial to enforcement, were approved on October 10, 2005. The reliability of unofficial translations varies considerably, which can create an environment of uncertainty and ambiguity among foreign investors. 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. While the trend under the current government is towards more openness and more accountability, investors are cautioned to recognize that economic and legal reform remain a work in progress.

Projects funded by the Australian government, the EU, the U.S., and the UN Development Program to assist Lao accession to the World Trade Organization (WTO) include components aimed at bringing Lao commercial law into conformity with WTO standards. A commercial court was established during 2003, and began to hear cases in 2005. The Lao Bar Association was set up in 2007.

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.

Performance Requirements and Incentives

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Laos does not impose performance requirements per se. Foreign investors are encouraged to give priority to Lao citizens in recruiting and hiring. According to the foreign investment law, foreign personnel can be hired, although they may not exceed ten percent (10%) of the enterprise's total labor force. In the case of skilled labor, or politically important projects, the Ministry of Planning and Investment has confirmed that enterprises can hire over 10% foreign labor if necessary. Before bringing in foreign labor, the enterprise must apply for work permits from the Ministry of Labor and Social Welfare. A foreign personnel list must also be submitted to the Planning, Monitoring and Evaluation Division of the Department for Promotion and Management of Domestic and Foreign Investment (DDFI).

Incentives for Foreign Investment: Laos grants incentives for foreign investment depending on the sectors and zones of investment promotion. The government defines promoted activities under Article 16 as follows:

- 1) production for export;
- 2) activities relating to agriculture or forestry, and agricultural, forestry and handicraft processing activities;

- 3) activities relating to industrial processing, industrial activities using modern techniques and technology, research and development, and activities relating to the protection of the environment and biodiversity;
- 4) human resource development, skills development and public health;
- 5) construction of infrastructure;
- 6) production of raw materials and equipment to be supplied to key industrial activities;
- and,
- 7) development of the tourism industry and transit services.

The Law on the Promotion of Foreign Investment:

<http://www.undplao.org/whatwedo/bgresource/demogov/Lao%20Translated%20Laws/First%20Volume/6.%20Foreign%20Investment.pdf>

describes geographic and tax incentives in articles 17 and 18.

Foreigners employed in Laos, including foreign investors, must pay an income tax of 10 percent of their total income to the Lao Government, unless they are citizens of a country with which the Lao Government has signed a double taxation agreement. The United States has no such agreement with Laos. The government began replacing the turnover tax with a Value Added Tax (VAT) in 2009.

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 exempt from import duties. Raw materials and intermediate goods imported for the purpose of import substitution are also eligible for import duty reductions on a case-by-case basis. On an individual basis, foreign investors are also eligible for profit tax and import duty reductions or exemptions, if the investment is significantly large or determined to have a significant 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. The tax code was streamlined and simplified in April 2005, but some investors still report significant difficulties in obtaining tax certifications in a timely manner.

The Foreign Investment Law stipulates that foreign investors and their families, including foreign professionals and foreign employees of an enterprise, shall be facilitated by issue of multiple entry visas and, if approved by the government, long term residence in the Lao PDR. They also, in theory, have the right to apply for Lao nationality in accordance with the Law on Nationality.

Right to Private Ownership and Establishment

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The government recognizes the right of private enterprise 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 DDFI-Ministry of Planning and Investment (MPI), per the Enterprise Law <http://www.moc.gov.la/default.asp>.

Thus, transferring shares in a foreign-invested company registered in Laos does require the indirect approval of the government (DDFI-MPI).

Protection of Property Rights

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Foreign investors are not permitted to own land. The 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. This includes mortgage leases.

Secured interests in property are inadequately covered by the Secured Transactions Law of 1994. Because the law offers no instructions for the creditor to enforce security rights (the creditor, for example, can only request repayment from the debtor), the law favors the debtor. Moreover, since the Ministry of Finance's registry system is not computerized, and cannot cross-reference records, it is difficult to determine if a piece of property is encumbered. Enforcement of a mortgage is further complicated by the legal protection given mortgagees against forfeiture of their sole place of residence.

Laos issued a trademark decree in January 1995. The National Science and Technology Organization (NSTO), part of the Prime Minister's Office, controls the issuance of trademarks on a first-come, first-register basis. Applicants do not have to demonstrate prior use. There are currently over 18,100 trademarks registered in Laos.

Laos became a member of the ASEAN Common Filing System on patents in 2000 but lacks adequate personnel qualified to serve as patent examiners. A draft decree on patents was sent to the Prime Minister in February 2000 for approval and in 2002 the Prime Minister's Office issued patent regulations. 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.

Currently, no system exists to issue copyrights in Laos. Laos became a member of the World Intellectual Property Organization (WIPO) Convention in January 1998 and the Paris Convention on the Protection of Industrial Property in October 1998; it has not yet joined the Bern Convention on Copyrights, however. Although WIPO began to assist Laos in drafting an intellectual property law in 1996, a WTO-compliant law has not yet been implemented. In December 2007 the National Assembly approved a law the Lao government claims will cover its U.S. Bilateral Trade Agreement (BTA) responsibilities, as well as be WTO compliant. An English translation sponsored by the U.S. Government is currently being finalized. Overall, there is currently little protection for intellectual property rights in Laos, although the authorities have taken steps to crack down on some pirated goods.

Transparency of Regulatory System

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The principal laws, regulations, decrees and guidelines governing international trade and investment, as well as the current protection of intellectual property, 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 website for UNDP Laos maintains a partial list of translated Lao laws:

http://www.undplao.org/whatwedo/bgresource/gov_laolaws.php

Laws can also be found via the following websites. Laws on the National Assembly website represent the officially approved English translations:

<http://www.na.gov.la/index.php>

(look under legislation on the left side);

http://www.poweringprogress.org/index.php?option=com_content&view=article&id=242&Itemid=109

<http://www.moc.gov.la/gioithieuAP.asp>

In addition, implementation of the budget law commenced with the restructuring of the Ministry of Finance (MoF) via Prime Ministerial Decree Number 80 of February 28, 2007. In September 2007, the Prime Minister issued Order No 35 instructing the MoF to move ahead with centralization of customs, tax and treasury departments. In January 2009 the Government introduced a Value-Added Tax (VAT). Full implementation of the tax is likely to take a number of years.

A lack of transparency in a centralized decision-making process, as well as the difficulty encountered in obtaining information, augment the perception of the regulatory framework as arbitrary and inscrutable. There have been reports that the government has recently begun discussing some proposed laws and regulations with the business community, and acted upon the advice given, before making final decisions. The Lao Tourist Association has repeatedly urged the Lao government at the “Lao Business Forum,” a business-government meeting sponsored by the Lao government and the International Finance Corporation (IFC), to discuss proposed laws with industry prior to implementation.

Efficient Capital Markets and Portfolio Investment

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Laos does not have a developed capital market. Three-month treasury bills are occasionally offered for sale when there is a need to absorb excess liquidity in the economy. The largest denomination of currency is 50,000 Kip (about US\$6). Credit is not available on the local market for large capital investments, although letters of credit for export can sometimes be obtained locally. International reserves fluctuate, with the latest available 2008 data showing sufficient coverage for 5 months of imports and numbering \$660 million.

The banking system is under the supervision of the Bank of Lao PDR, and includes:

- three state-owned commercial banks: Banque pour Le Commerce Exterior Lao (BCEL), Lao Development Bank and Agriculture Promotion Bank;

- three joint-venture banks: Joint Development Bank, the Lao-Viet Bank, and a joint venture between BRED Bank of France and BCEL, expected in June 2009;
- five Thai banks: Bangkok, Siam Commercial, Krungthai, Thai Military and Ayudhya Banks whose activities are mainly limited to providing services to local Thai businesses;
- one Vietnamese bank: Sacombank
- five private banks (4 foreign and one domestic): Malaysia - Public Bank (Berhad); ANZ Vientiane Commercial Bank Limited, the Association of Cambodia Local Economic Development Agencies (ACLEDA) Bank Lao Ltd, and the Indochina Bank. Phongsavanh Bank is currently the sole private, domestic bank.
- one representative office: Standard Chartered Bank.

A new banking law passed in 2006 allows private foreign banks to establish branches in all provinces of Laos. (Previously, foreign banks were permitted to establish branches only in Vientiane.) The Commercial Bank Law is available on the Bank of Lao PDR (BOL) website: <http://www.bol.gov.la/index1.php>

BCEL has correspondence arrangements with the following banks (US dollars):

- JP Morgan Chase Bank, New York
- Citibank, New York
- Wachovia Bank, New York
- American Express Bank, Ltd., New York
- HSBC Bank, New York
- Standard Chartered Bank, New York
- Barclays Bank Plc., London
- Credit Suisse First Boston, Zurich
- Bank of Tokyo-Mitsubishi, Ltd, Tokyo
- Natexis Banque Populaires, Singapore
- Standard Chartered Bank, Singapore
- Bank for Foreign Trade of Vietnam, Hanoi
- TMB, Bank Public Co, Ltd, Bangkok
- Bank Thai Public Co. Ltd. Bangkok
- Calyon, Bangkok
- Sumitomo Mitsui Banking Corporation, Tokyo

The Lao banking sector is in flux, with new private and foreign banks opening to provide modern banking options to Lao and foreign businesses. While continuing to receive outside assistance, central bank supervision of the sector remains somewhat weak. Although non-performing loans have decreased significantly since 2003, through work-outs, write-offs, and transfers off balance sheets, the three state-owned commercial banks (SCBs) remain, according to IMF estimates, insolvent. For detailed information see the IMF Article IV report:

<http://www.imf.org/external/pubs/ft/scr/2008/cr08350.pdf>

The Asian Development Bank has provided both program loans and technical assistance to Laos' financial sector, as have the World Bank and the IMF. These programs have led to some reforms but overall capacity within the governance structure remains weak and the banks face many challenges.

The Government of Laos is planning to open a stock exchange in 2010, with technical assistance provided from the South Korean government.

Political Violence

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Laos is generally a peaceful and politically stable country. Visitors are advised to use caution when traveling in remote districts. For current State Department information please see: http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

Corruption

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The Prime Minister's Office has made combating corruption a priority, including issuance of an anticorruption decree in November 1999, but corruption remains a problem. Although the 1999 decree specifically notes the responsibility of the state-owned mass media in publicizing corruption cases, there has been no reporting on this issue. In 2005, an anti-corruption law was passed by the National Assembly. According to the State Inspection Authority, the Lao Government has prosecuted some individuals for corruption but it cannot publicize the information. 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 a ministry's internal problems.

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. Besides bribes to low-level officials for the purpose of expediting time-sensitive applications, such as business licenses, importation of perishable items, customs, etc., anecdotal evidence of more pervasive corruption is growing. Laos is rated 151 out of 180 countries on Transparency International's corruption perception index (with one being the least corrupt). Generally, the government tends to deal with serious corruption problems by forcing corrupt officials to retire or move to a new position.

Bilateral Investment Agreements

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Laos has bilateral investment agreements with the following countries:

Country	Date Signed	Date Entered Into force	Duration (in years)
Australia	4/6/94	4/8/95	10

Cambodia	11/24/08	-	10
China	1/31/93	6/01/93	10
Cuba	4/28/97	6/10/98	10
Denmark	9/28/98	5/9/99	10
DPRK	8/20/97	8/22/98	10
France	12/12/89	3/8/91	10
Germany	8/9/96	3/24/99	10
Holland	5/23/03	-	10
India	11/09/00	1/6/03	10
Indonesia	10/18/94	10/14/95	10
Japan	16/01/08	8/04/08	10
Kuwait	8/5/08	-	30
Malaysia	12/8/92	3/25/93	10
Mongolia	3/3/94	10/29/94	10
Myanmar	5/5/03	8/28/07	-
Netherlands	5/16/03	-	-
Pakistan	4/23/04	3/19/07	-
Philippines	6/8/07	-	10
Rep of Korea	5/15/96	6/14/96	15
Russia	12/6/96	22/03/06	15
Singapore	3/24/97	3/25/98	10
Sweden	8/29/96	1/1/97	20
Switzerland	12/4/96	12/4/96	10
Thailand	22/08/90	07/12/90	10
United Kingdom	6/1/95	6/1/95	10
USA	3/8/96	-	-
Vietnam	1/14/96	6/22/96	10

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.

OPIC and Other Investment Insurance Programs

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The United States and Laos signed an Overseas Private Investment Cooperation (OPIC) agreement in March 1996. In 1998 Laos signed an agreement with the Multilateral Investment Guarantee Agency (MIGA). EXIMBANK does not currently operate in Laos.

The Kip, while not an internationally traded currency, has been appreciating against the U.S. dollar over the past year, thanks in part to being pegged to the Thai baht. As large amounts of dollars continue to enter Laos, it is unlikely the Kip will depreciate against the dollar barring a significant economic downturn.

Labor

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Over 70 percent of Laos' work force of 2.7 million is engaged in subsistence agriculture. The Lao government estimated the total non-agricultural work force in 2007 to number 483,560 people, roughly 25,000 of whom were employed in garment manufacturing. The total labor force is expected to increase by more than 30 percent over the next ten years.

The Labor Law passed in 1994 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. The Lao government raised the official minimum wage to 405,000 kip per month (about \$48 USD) in 2008. Wages for unskilled labor at garment factories, including bonuses and lunch, now run about 290,000 kip or about US \$34 monthly. Labor unions can be formed in private enterprises, but they must operate within the framework of the Lao Federation of Trade Unions (LFTU), which is controlled by the Lao People's Revolutionary Party. In 2008, membership in the LFTU numbered 122,111. Strikes are not prohibited by law, but a government ban on subversive activities or destabilizing demonstrations makes them unlikely.

Laos has significant human resource weaknesses in virtually all sectors. English is not widely spoken. In 2008, about 23 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 very 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.

Foreign-Trade Zones/Free Ports

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The Foreign Investment Law allows for the establishment of free trade zones as an investment incentive. A zone in southern Savannakhet province, which borders both Vietnam and Thailand, is such a Special Economic Zone. Lao laws pertaining to trade are supposedly applied uniformly across the entire customs territory of Laos, including all sub-central authorities, special economic zones and border trade regions. In reality, however, customs practices vary widely at ports of entry in the provinces. The recent centralization of customs collection with the central government could lead to more uniform practices and increase the flow of customs revenue to the central government by an estimated fifty to seventy percent.

Foreign Direct Investment Statistics

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GOL investment figures significantly overstate actual investment, as they include all approved projects regardless of whether the investment actually takes place. Both the World Bank and the IMF have lower estimates than Lao government figures. During 2008, the GOL approved \$659.2 million worth of foreign investment projects.

Hydropower schemes account for about 6.06 percent of that amount. Foreign investment figures fluctuate widely from year to year due to the prevalence of large-scale investments in the hydropower and mining sectors. Foreign direct investment figures from the Bank of Lao PDR for recent years follows below:

Real FDI inflow through Bank of Lao PDR (in Millions of US\$)

2000	2001	2002	2003	2004	2005	2006	2007
33.9	23.9	4.5	19.5	16.9	27.7	187.3	323.51

FDI approved (in Millions of US\$)

2000	2001	2002	2003	2004	2005	2006	2007	2008
20.4	42	493.8	550	533	1,245	2,699.7	1,136	659.19

In 2008, DDFI approved approximately \$659.2 million in investment projects. According to DDFI figures, 26 “U.S.” projects were approved between 2000 and 2008, including 3 projects worth a total of \$2.3 million in 2008. Foreign investment now comes primarily from other Asian countries, particularly Thailand (traditionally Laos’ largest trade and investment partner), China, Vietnam, France, Japan, Korea, India, Australia, Malaysia and Singapore.

Foreign Investment Licensed in the Lao PDR by countries of origin, from 2000 through September 2008, in U.S. Dollars. (Source: Department for Promotion and Management of Domestic and Foreign Investment (DDFI), Ministry of Planning and Investment (MPI).

Rank	Country	Number of Projects	Capital
1	Thailand	200	1,535,046,728
2	China	279	1,313,055,653
3	Vietnam	155	723,475,301
4	France	60	442,141,179
5	Japan	36	421,604,403
6	Korea	118	360,858,515
7	India	3	350,330,000
8	Australia	30	333,787,528
9	Malaysia	35	140,243,392
10	Singapore	27	103,259,000
11	Canada	11	54,633,750
12	Russia	11	50,325,310
13	Switzerland	6	41,050,000
14	USA	26	22,950,226
15	England	14	17,829,700

16	Taiwan	10	16,720,000
17	Sweden	4	13,935,135
18	Norway	2	12,920,000
19	Poland	1	5,000,000
20	Germany	14	4,681,508
21	Italy	3	3,600,000
22	Peru	1	3,000,000
23	Cambodia	4	2,069,500
24	Panama	1	1,750,000
25	Holland	2	1,300,000
26	Myanmar	4	1,180,000
27	Island	2	1,100,000
28	Israel	1	1,020,000
29	Indonesia	1	1,000,000
30	Belgium	4	900,000
31	Sri Lanka	1	200,000
32	Cuba	1	185,000
33	Portugal	1	100,000
34	Turkey	1	100,000
35	Nepal	1	100,000
36	Philippines	1	100,000
37	Spain	1	28,125

Foreign Investment Licensed in Lao PDR by Sector, from 2000 through September 2008, in US Dollars. (Source: Department for Promotion and Management of Domestic and Foreign Investment (DDFI, Ministry of Planning and Investment.)

Ranks	Sector	No. of Projects	Capital
1	Electricity	42	3,334,791,585
2	Agriculture	181	865,830,875
3	Mining	157	725,019,864
4	Industry & Handicraft	211	597,897,047
5	Service	192	354,778,528
6	Trading	110	281,729,554
7	Construction	33	275,486,874
8	Hotel & Restaurant	66	189,811,245
9	Wood industry	48	106,106,334
10	Banking	14	83,096,000
11	Telecom	4	72,390,980
12	Garment	38	29,274,920
13	Consultancies	38	11,153,252
Total		1134	6,927,367,058

In 2008, the effects of the global financial crisis led foreign investment in Lao PDR to decrease sharply. Actual FDI is expected to decrease by about 40 percent, from roughly \$1,137 million in 2007 to about \$659 million in 2008. Past FDI growth has been driven by large investments in industry, especially hydropower, agriculture and mining.

IMF: <http://www.imf.org>

World Bank: www.worldbank.org/la

Lao Department of Domestic and Foreign Investment: <http://invest.laopdr.org>

Lao Ministry of Commerce <http://www.moc.gov.la/default.asp>

Lao National Energy Committee <http://www.poweringprogress.org/>

Lao Ministry of Foreign Affairs <http://www.mofa.gov.la/>

Google <http://www.google.com/>

U.S. Embassy Laos: <http://laos.usembassy.gov>.

State Department Travel Information: <http://travel.state.gov>

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Chapter 6: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Depending on the size of the transaction, payment can be made using EFT, cash, or letter of credit.

How Does the Banking System Operate

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The Lao banking sector is in flux, with new private and foreign banks opening to provide modern banking options to Lao and foreign businesses. Laos does not have a national deposit insurance system and supervisory standards are low. Technical expertise and the ranges of services offered at domestic banks are limited. While continuing to receive outside assistance, central bank supervision of the sector remains somewhat weak. Although non-performing loans have decreased significantly since 2003, through work-outs, write-offs, and transfers off balance sheets, the three state-owned commercial banks (SCBs) remain, according to IMF estimates, insolvent. For detailed information see the IMF Article IV report:

<http://www.imf.org/external/pubs/ft/scr/2008/cr08350.pdf>

Foreign-Exchange Controls

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Lao law maintains that a person should not pay for goods and services with foreign currency. Debts should not be paid in foreign currency within the Lao PDR except for cases in which the Bank of the Lao PDR has proposed such a transaction and the Lao Government has approved. In practice, the Lao economy is highly dollarized, and Thai baht or American dollars (as well as Chinese yuan in northern areas) are the preferred currencies for private transactions involving imported goods.

A holder of foreign exchange who needs to make payments within the Lao PDR can exchange for Kip at a commercial bank or at a foreign exchange bureau licensed by the Bank of the Lao PDR. Those who need to use foreign exchange for any of the objectives stipulated in Lao law, such as payment for imported goods, may purchase

foreign exchange at a commercial bank or a foreign exchange bureau in accordance with the regulations of the Bank of the Lao PDR.

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. Australian, Vietnamese, Thai, Cambodian and Malaysian banks currently have a presence in Laos. Bank accounts must be maintained in accordance with the Enterprise Accounting Law. The 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 so long as they request approval from the Lao government. These transactions are conducted at the official exchange rate on the day of execution, upon presentation of appropriate documentation. Supply of foreign exchange has in the past been limited in Laos, which imposed a de facto limit on repatriation of capital. Foreign currency inflows in recent years, however, have reportedly solved this problem and large multinationals in Laos report no problems with access to foreign exchange. Foreign enterprises must report on their performance annually and submit annual financial statements to the Ministry of Planning and Investment (MPI).

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks operating in Laos. BCEL has correspondence arrangements with the following U.S. banks (US dollars):

- JP Morgan Chase Bank, New York
- Citibank, New York
- Wachovia Bank, New York
- American Express Bank, Ltd., New York
- HSBC Bank, New York
- Standard Chartered Bank, New York

Project Financing

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Financing is very difficult to obtain from the local banking system, and there is as yet no Eximbank program in Laos. An Overseas Private Investment Cooperation (OPIC) agreement was signed in 1996, and an agreement with the Multilateral Investment Guarantee Agency (MIGA) in 1998. In 1998, the government signed an agreement with the Mekong Project Development Facility (MPDF), a multi-donor funded operation managed by the International Finance Corporation (IFC). The MPDF is designed to promote the establishment and expansion of privately owned, small and medium-sized enterprises, as well as joint venture projects with significant local private participation in Laos, Cambodia, and Vietnam.

The World Bank (WB) and the Asian Development Bank (ADB) are very active in Laos and are often involved in providing financing or guarantees for major projects.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

World Bank: www.worldbank.org/la

Asian Development Bank: <http://www.adb.org/LaoPDR/>

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Chapter 7: Business Travel

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Business Customs

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Business relationships in Laos are not as formal as those in other East Asian countries and are often based on personal relations developed within social circles. Since the emphasis placed on personal relationships is high, having a reliable and well-connected local agent or representative is crucial to the success of a foreign venture. Events progress slowly in Laos, where the step-by-step approach reveals the cultural premium placed on caution and restraint. Representatives of US businesses seeking to enter the Lao market should plan to visit the country several times and have patience with their partners and the Lao market.

Travel Advisory

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Information on travel to and within Laos may be obtained from the consular information sheet on Laos available from the U.S. Department of State. For recorded travel information, call (202) 647-5225. For information by fax, call (202) 647-3000. The Consular Information Sheet is also available at http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

Visa Requirements

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To enter Laos either as a tourist or on business, visitors are required to have a valid passport and a Lao visa. Information about entry requirements may be obtained from the Embassy of the Lao People's Democratic Republic, 2222 S St. NW, Washington, DC 20008; Tel: (202) 332-6416; fax: (202) 332-4923; Internet home page: <http://www.laoembassy.com/>.

Visas are also issued upon arrival, subject to certain conditions, at these check-points:

By air:

Wattay International Airport in Vientiane is the main entry point by air for International tourists. Luang Prabang and Pakse International Airports are now also international entry points.

By land:

From Thailand; Mittaphab (Friendship) Bridge across the Mekong to Vientiane from Thailand's Nongkai Province; Lao-Thai Friendship Bridge from Savannakhet to Mukdahan; Houay Xay, Bokeo province; Thakhek, Khammouane province; Dan Savanh, Savannakhet province; Vang Tao, Champassack province; Dan Kenthao, Sayabouly province.

From China: Boten, Luang Namtha province.

From Vietnam: Dan Savanh, Savannakhet province, the major point of entry for Vietnamese travelers; Nam Phao, Borikhamxay province; Namkan, Xiengkhouang province; Naphao, Khammouane province; and Sop Hun, Phongsali province.

From Cambodia:

Veunkham, Champassack province.

Visas on arrival cost US \$35 and are generally valid for 30 days. U.S. citizens born in Laos may be admitted for 60 days or longer. Business visas can be obtained with an approval from the Division of Planning and Monitoring, in the Department for Promotion and Management of Domestic and Foreign Investment, at the Ministry of Planning and Investment (MPI) in Vientiane. The Division of Planning and Monitoring charges a service fee of US \$10 and 30,000 kip for one month and US\$ 55 for 3 months for businesspeople who need to observe their projects or extend their stay. These charges do not include either visa or fax fees, and require one week for processing. Business visas have one-month validity and are renewable. The Investment Research Division may be contacted at Tel: (856) (21) 217-016, 223002 or (856) (21) 217-014; fax: (856) (21) 215-636.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

(Insert here the web address for the consular section of the local embassy website.)

The Lao telecommunications infrastructure is developing quickly. Total telephone density is currently 36/100, although in towns the coverage, particularly cell phone coverage, is much wider. There are five authorized enterprises providing fixed and mobile telecommunications services in Lao PDR. All of them have some share of government ownership: Lao Telecommunication Co Ltd (LTC, shareholding is GOL 51%, Shinawatra 49%); Enterprise des Telecommunication Lao (ETL, GOL 100%); the Star Telecommunication Company (GOL 51% and Viettel Global Company 49%); Millicom International Cellular, commonly referred to as TIGO (GOL 22%, Millicom 78%); and Sky Communications Lao Ltd (GOL 30% and private sector 70%). The number of internet service providers (ISP) has increased from two firms in the 1990s to about nine, and includes NSTA, ETL Internet, Lao Telecom, Lanxang Internet, Sky Telecom, KPL, Planet, Laonet and MLLcom.

Transportation

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Throughout the country, including Vientiane and the provincial capitals, business people generally rely on their own personal vehicles or rent vehicles with drivers. Taxis are not readily available, even in the capital. Lao Airlines and Lao Air offer flights from Vientiane to most of the provincial capitals.

Road conditions vary greatly throughout the country and mudslides are a concern in mountainous areas during the rainy season. However, major transportation arteries such as Route 13 running north to south and Route 9 running east to west are generally of good quality. The government has made road and bridge infrastructure a priority and travel conditions are gradually improving. There are occasional security problems along rural roads, including Route 13. For an update on current conditions, please check:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

Language

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Lao is the national language and, due to the similarity of the Lao and Thai languages, many Lao are capable of speaking and understanding Thai as well. Some Lao residing in Vientiane and the larger provincial capitals speak basic English, although the overall percentage of the population that speaks English is very low.

Health

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The quality of healthcare in Laos is extremely poor. For serious health issues, the Embassy generally advises travelers to seek medical attention in Thailand. For additional information regarding health issues, review the Consular Information Sheet at: http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

Lao Holidays 2009

January 1, Thursday	New Year's Day
March 9, Monday	International Women's Day
April 14, Tuesday	Lao New Year
April 15, Wednesday	Lao New Year
April 16, Thursday	Lao New Year
May 1, Friday	Lao Labor Day
October 5, Monday	Boat Racing Festival
November 2, Monday	That Luang Festival
November 26, Thursday	Thanksgiving Day
December 2, Wednesday	Lao National Day

In addition, numerous religious holidays are often observed informally throughout the country. The Lao government is known to change the effective dates of holidays shortly before they occur, especially around Lao New Year.

Business Hours

Official working hours are from 8:00 a.m. to 12:00 p.m. and from 1:00 p.m. to 4:00 p.m. from Monday to Friday. However, in factories and many private companies work hours are extended until 5:00 p.m. Lao labor law stipulates that the factory work week can be extended to six days.

Temporary Entry of Materials and Personal Belongings

Equipment imported for personal use and any goods used in exhibitions or as samples for subsequent re-export are exempt from taxes and duties. In order to obtain this exemption, visitors must declare at the port of entry that the relevant goods or equipment are being temporarily imported, and must guarantee that it will be re-exported upon the visitors' departure. Goods brought into Laos for exhibition or as samples require a license from the Ministry of Commerce or the local trade office at the port of entry.

Web Resources

U.S. Embassy Laos: <http://vientiane.usembassy.gov/>
Lao Embassy in Washington, DC: <http://www.laoembassy.com>
Lao Visa Information: <http://travel.state.gov/visa/index.html>
U.S. Visa Information: <http://unitedstatesvisas.gov>
U.S. State Department Travel Advisory:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

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Chapter 8: Contacts, Market Research, and Trade Events

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- [Market Research](#)
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Contacts

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Laos has not had many large scale trade events, though occasionally the products of foreign countries are showcased at small shows. Permission to conduct or participate in trade exhibition, and information on planned events, can be obtained from:

Mr. Bounmy Manivong, Executive Director, Lao Trade Promotion Center. Tel: (856-21) 216207, Fax: (856-21) 213623. MB: (856-20) 5815603. 104/4-5 Khounbulom Rd. P.O.Box 4107, Vientiane, Lao PDR. Email: laotpc@hotmail.com ; Laotpc@yahoo.com

Mr. Phouvang Phommabout, Deputy Director
Lao Trade Promotion Center, Tel: (856-21) Tel: (856-21) 216207, Fax: (856-21) 213623. MB: (856-20) 5515254.
104/4-5 Khounbulom Rd. P.O.Box4107, Vientiane, Lao PDR.
Email: laotpc@hotmail.com or Laotpc@yahoo.com

Ms. Anomone Kittilath, Deputy Director,
Lao Trade Promotion Center. Tel: (856-21) 216207, Fax: (856-21) 213623. MB: (856-20) 5698573. 104/4-5 Khounbulom Rd. P.O.Box4107, Vientiane, Lao PDR.
Email: laotpc@hotmail.com or Laotpc@yahoo.com

Mr. Khampan Sengthongkham, Deputy Director, Lao Trade Promotion Center, Tel: (856-21) Tel: (856-21) 216207, Fax: (856-21) 213623. MB: (856-20) 5515319. 104/4-5 Khounbulom Rd. P.O.Box4107, Vientiane, Lao PDR.
Email: laotpc@hotmail.com or Laotpc@yahoo.com

Mr. Kham Ouan Houmdouangchanh, Deputy Director, Lao Trade Promotion Center, Tel: (856-21) Tel: (856-21) 216207, Fax: (856-21) 213623. MB: (856-20) 9801587. 104/4-5 Khounbulom Rd. P.O.Box4107, Vientiane, Lao PDR. Email: laotpc@hotmail.com or Laotpc@yahoo.com

Additional Contacts

Joshua C Archibald, Econ/Commercial Officer
U.S. Embassy, Vientiane. Unit 8165, BOX V APO AP 96546 Tel: (856-21) 267000 ext 7156; Fax: (856-21) 267120 or 267190 E-mail: ArchibaldJC@state.gov

Sivanphone Thoummabout, Econ/Commercial Assistant
U.S. Embassy, Vientiane. Unit 8165, BOX V APO AP 96546 Tel: (856-21) 267000 ext

7198; Fax: (856-21) 267190 OR 267120 Email: sivanphonetx@state.gov

Mr. James Golsen Commercial Attache
U.S. Commercial Service Room 302, Diethelm Tower A 93/1 Wireless Road Bangkok
10330 Tel: [662]-205-5263; Fax: [662]-255-2915
E-mail: james.golsen@mail.doc.gov

American Chamber of Commerce, Thailand 7th Floor, GPF Witthayu A, 93/1 Wireless
Road, Lumpini, Pathumwan, Bangkok 10330 Tel: +66 (0) 2254-1041 Fax: 66 (0) 2251-
1605 Email: service@amchamthailand.com

Mr. Bounsom Phommavihanh, Department of Foreign Trade policy Department, Ministry
of Industry and Commerce Tel: (856-21) 453490-5; Fax: (856-21) 450066, 412434.
Email: bounsom5@yahoo.co.uk

Ms. Bansaty Thepphavong, Deputy Director of Foreign Trade Policy Department,
Ministry of Industry and Commerce. Tel: (856-21) 450065 Fax: (856-21) 450066
Email: bthephavong@laopdr.com or bthiphavong@yahoo.com

Ms. Khanlasy Keobounphanh, Deputy Director General Foreign Trade Department
Ministry Industry and Commerce Tel: (856-21) 415931; FAX: (856-21) 450066.

Mr. Kissana Vongsay, President Lao National Chamber of Commerce General Director
of Lao Brewery Co. Ltd Phonsay Road
P.O. BOX 4596. Tel: (856-21) 452579, 453311-2 Fax: (856-21) 452580
<http://www.lncci.laotel.com/> . Email: laocci@laotel.com

Mr. Oudet Souvannvong , Vice President Lao National Chamber of Commerce. Tel:
(856-21) 452579, 453311-2 Fax: (856-21) 452580 . <http://www.lncci.laotel.com/> Email:
soho@laotel.com

Mr. One-Sy Boutsyvongsakd, President of the Lao Textile & Garment Industry Group
Vientiane. Tel: (856-21) 214450 and 222769; Fax: (856-21) 216993 Email:
bvs@laotel.com or textilao@laotel.com

Mr. Houmpheng Soulalay, Director General Department for Promotion and Management
of Domestic & Foreign Investment, Ministry of Planning and Investment Tel: (856-21)
216662; Fax: (856-21) 215491. [HTTP://INVEST.LAOPDR.ORG](http://INVEST.LAOPDR.ORG); E-mail:
fimc@laotel.com

Dr. Pheuiphanh Ngaosrivathana, IMF Resident Representative C/O Bank of Lao PDR.
P.O. Box: 19 Vientiane, Lao. PDR TEL: (856) 21 213106, FAX: (856) 21 214986 Email:
pbeaugrand@imf.org

Mr. Pachamuthu Illangovan, Country Manager, The World Bank Patuxay, Neru Rd, LAO
PDR Tel: (856) 21 414209, 450010, 450003, 450011, 410012 and 450015 Fax: (856)
21 414210

Mr. Gil/Hong Kim, Country Director, Vientiane, LAO PDR Asia Development Bank, Lao
Resident Mission, corner of Lane Xang Avenue and Samsenthai Rd Vientiane, LAO

PDR P.O.BOX 9724 Tel:(856-21) 250-444, 252627, 251327, 251427, 253060 Fax:(856-21) 250-333

Email: ghkim@adb.org

Mr. Charles Shneider, Head of Office, Mekong Project Development Facility (MPDF)
International Finance Corporation (IFC) P.O. Box 9690 Tel: (856-21) 450-017 to 9 Fax:
(856-21) 450-020

Ms. Suporn Raopitiwongkul Price-Waterhouse Coopers Unit 7, 4TH Floor, Vientiane
Commercial Building Tel: (856) 21 222-718, 222-719, 218330 Fax: (856) 21 222-723,
P.O. Box 7003, Vientiane

Mr. Sumporn Manodham, Development Consultants Co Ltd. No.14 Fangum Rd,
Vientiane Tel: (856-21) 451841 or 451842 Fax: (856-21) 451844

Peter Fogde Burapha, Development Consultants Co Ltd. No.14 Fangum Rd, Vientiane
Tel: (856-21) 451841 or 451842 Fax: (856-21) 451844

Mr. Santiphab Phomvihan, Director General, Customs Department Ministry of Finance,
Vientiane Tel: (856-21) 213524 Fax: (856-21) 223521

Mr. Sonexay Sitphaxay Vice President, Managing Director Banque Pour Le Commerce
Exterior Lao Vientiane Tel: (856-21) 213200/01 Fax: (856-21) 223012, 213202 or
214944.

Lachay Khanpravong Manager L/C Department Banque Pour Le Commerce Exterior
Lao Vientiane Tel: (856-21) 213200/01 Ext.149 or 152. Mobile 020 5516185 Fax: (856-
21) 223012, 213202

Mr. Somchith Inthamit Director of International Cooperation Department,
Ministry of Planning and Cooperation. Tel: (856-21) 218274 Fax: (856-21) 263779

Mr. Latsamy Keomany, Director General of Economic Affairs, Ministry of Foreign Affairs.
Tel: Tel: (856-21) 414040 Fax: (856-21) 415932.

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

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Chapter 9: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/asianow/southeastasia_home.html

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.