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SERVICE  
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Department of Commerce

# U.S. Country Commercial Guides



2017

Laos

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# Doing Business in Laos

## Market Overview

The Lao market economy has grown at nearly 8 percent for the last decade and is heading into a new phase of regional and global integration. The Lao government's commitment to WTO accession and the creation of the ASEAN Economic Community (AEC) in 2015 led to major reforms of economic policies and regulations aimed at improving the business and investment environment. The Lao government is increasingly tying its economic fortune to the economic integration of ASEAN and export-led development.

Laos is one of the world's few remaining communist countries. The Lao economic model bears some relation to its Chinese and Vietnamese counterparts, in that it has implemented market-based economic practices while maintaining a high degree of state control. Laos is politically stable.

Laos and the United States signed a bilateral trade agreement in 2005, although the terms of the agreement are still being implemented in Laos, with U.S. assistance. Since 2005 trade has increased from \$14 million to \$86 million per year in 2016. China, Vietnam and Thailand have dominant trade and investment roles in the Lao economy, with participation in certain sectors by Japan, Singapore, Malaysia, the Netherlands, U.K and South Korea. Bilateral trade between Laos and Thailand, its largest trading partner by far, totaled \$4.6 billion in 2016.

Laos' GDP reached \$15.9 billion in 2016, up 7.02 percent from the prior year. The Lao economy's growth is projected to remain at an annualized rate of 7 percent in 2017.

The Lao population was 6.6 million in 2016. Approximately 70 percent of the workforce is employed in agriculture, mostly in small scale farming. The Lao population is young, with more than half under 25 years of age and 70 percent under 35.

The country has a small but growing middle class concentrated mostly in the capital and larger cities.

The Lao government weathered a fiscal and monetary crisis in 2013 and into 2014, brought about by poor budgetary processes, uncontrolled provincial spending, and a large raise for civil servants. The government continues to take steps to address some deficiencies, though overall, fiscal and budgetary policy formulation and implementation remain weak.

Major international companies have begun to invest in Lao Special Economic Zones, particularly near Savannakhet and Vientiane. Investors include Toyota, Nikon, and Essilor. Coca Cola opened a bottling plant in 2015. GE opened a representative office in June 2017 to develop opportunities in the energy – specifically, hydropower – and medical equipment sectors.

Laos ran a projected trade deficit of approximately \$2.88 billion in 2016, with merchandise imports of \$7.68 billion, exports of \$4.8 billion and net services of \$543 million. Laos imported \$30.9 million worth of goods from the United States and exported \$55.1million to the United States in 2016. Top U.S. exports to Laos include man-made cloth, gems and diamonds, precious metals, specialized mining and industrial machines, passenger cars, excavating machinery, civilian aircraft engines, equipment and parts. Top U.S. imports from

Laos are green coffee, nonferrous metal, industrial supplies, cellphones, telecommunication equipment, gem diamonds, Jewelry, apparel household goods, apparel, and jewelry.

[The Lao Trade Portal](#), established in 2012, has information for exporters and importers. The [Lao Electronic Gazette](#) is a repository of all Lao legislation and offers the public the opportunity to comment on proposed legislation. Though most information is in Lao, many laws have been translated into English as well.

## **Market Challenges**

The Lao government has a goal of becoming a rule of law state by 2020. Currently, commercial law and the commercial court system in Laos are still developing and are not transparent. Sanctity of contract is not well understood in Laos and concessions or property rights granted by the government are liable to overlap or conflict with other claims.

Customs procedures are improving but remain opaque. Customs clearance speed has improved markedly in recent years with the introduction of automated customs procedures, dropping from an average 11 hours in 2012 to 6.5 hours in 2016. The cost for a standard shipping container fell from \$2100 to \$1810 in 2016.

Despite government efforts to establish “one stop service” for business registration and licensing, procedures for investment are cumbersome and approvals often do not occur within stated times or rules.

Human resources are underdeveloped in Laos, and employers frequently have a difficult time finding and retaining qualified employees. The market for skilled and unskilled workers is extremely tight. A World Bank survey found that nearly half of advertisements for low-skilled workers attract no applicants.

Tax administration is consistently cited as one of the largest barriers to commerce in Laos in surveys of small and medium enterprises.

The World Bank’s [“Ease of Doing Business”](#) project ranks Laos 139 out of 190 other economies.

The current Government is working hard to address corruption which is [still a major problem](#) and seriously hampers the efficient operation of the Lao economy and society. Competitors from countries without legal or moral sanctions against corrupt practices have long had a major advantage in securing government approvals and concessions. Frequent bribes and payoffs are an accepted part of Lao business culture.

## **Market Opportunities**

Increases in disposable income, particularly among elites with access to resource-based industries, and a slowly expanding middle class mean that the consumer and services sectors are likely to experience continued growth in the future.

The government is strongly committed to becoming “the battery of Southeast Asia” by harnessing hydropower, and to a lesser extent wind, solar, and thermal energy resources to export electricity throughout the region. The power sector is open to foreign investment, with many international firms represented. Hydropower and transmission and distribution

infrastructure will be the focus of increasing investment by the Lao government as it develops its power industry.

The Lao agricultural sector also shows promise and is a priority for the Lao government. Land is underutilized. The low population density in Laos and large markets for agricultural goods and livestock in neighboring markets have brought many new investors to explore agricultural opportunities. There are opportunities for exports of modern harvesting, planting, processing, and other technologies that would help the sector to grow.

Many international companies are exploring Special Economic Zones (SEZs) in Vientiane and Savannakhet provinces. SEZs offer a range of incentives and tax holidays to investors depending on the industry. International investors have been attracted by the relative abundance of inexpensive electricity and the low cost of labor.

The Lao government has targeted tourism, especially ecotourism, as a major area of future growth. Laos is attempting to attract more upmarket tourists to its market and has liberalized air services resulting in more frequent and less expensive flights to and from the country.

The Lao government fully liberalized the retail sector in 2015, allowing foreign retail establishments to enter the country.

Laos has a poorly developed infrastructure with only a few kilometers of rail, few decent roadways, and underdeveloped medical, water, and sewage systems. The Government of Lao PDR (GOL) has started to make investments in these areas in keeping with its goal of graduating from Least Developed Country status by 2020. One of the development projects happening recently is the Lao-China co-investment in the China-Lao railway project announced in September 2016 to develop a 414 km standard-gauge line runs south from the China-Laos border at Boten to Luang Prabang, Vangvieng and Vientiane Capital. There are also plans to build a railway to connect Khammuan Province's capital to a port in Vietnam and the Vientiane Public Bus Transport Project in the near future.

The minerals and mining sector has been a major driver of growth in Laos, particularly copper and gold. Other mineral resources include bauxite and potash.

## **Market Entry Strategy**

American companies considering investments in Laos are advised to visit the country several times, as personal relationships are essential to locating suitable Lao business partners and avoiding misunderstandings. In some types of business, 100 percent foreign ownership is permitted, although many foreign businesses take on a Lao partner or agent and consult closely with law firms with local practices.

The American Chamber of Commerce (AMCHAM) in Laos was established in 2012 and was rebranded "the American-Lao Business Association" in mid-2017 pending completion of their registration with the Lao government and the U.S. Chamber of Commerce and fulfilment of other AmCham requirements.

[The Lao National Chamber of Commerce and Industry](#) (LNCCI) may help locate suitable local partners or distributors. Foreign businesses can also apply for membership.

In addition to the American Lao Business Association, there are business chambers or associations from Australia, China, France, India, Japan, Korea, Taiwan, Vietnam, and the European Union.

## **Political Environment**

For background information on the political and economic environment of the country, please go to the [U.S. Department of State Background Notes](#).

## **Selling US Products & Services**

### **Using an Agent to Sell US Products and Services**

Employing a Lao agent or finding a Lao business partner is a frequently used method for developing contacts with Lao businesses, customers and government officials. There are also a number of expatriate Lao who are either American citizens or legal permanent residents, and who may be able to assist business startup. Numerous import-export companies are based in Vientiane and in the cities located at or near border crossings in the provinces of Luang Namtha, Bokeo, Bolikhamxay, Khammouane, Savannakhet, and Champasack.

Most import-export companies are ill-equipped to handle large-scale distribution. U.S. firms looking for a distributor or an agent in a particular province should contact [the provincial branch of LNCCI](#) and the Trade and Investment Department of the respective province for assistance in identifying viable business partners.

### **Establishing an Office**

Laos continues to reform its legal and regulatory framework to develop a more investment-friendly environment. In early 2017, the government revised a 2009 law on investment promotion in order to simplify and clarify investment procedures that were often confusing and inconsistently implemented. Generally, foreign investors seeking to establish operations in Laos are required to obtain a foreign investment and business license, an enterprise registration certificate, and a tax registration certificate.

There are three types of Investment in Lao PDR as follows:

1. General Business
2. Concession Agreements
3. Special or Specific Economic Zones (SEZs)

Since the 2009 Investment Law was amended and officially entered into force in April 2017, the Board of Investment Administration and Service will be established later within the Investment Promotion Department (IPD) under the Ministry of Planning and Investment (MPI). This body, chaired by a Deputy Prime Minister, and having ministers and vice ministers from related ministries as members, will be responsible for concession businesses and controlled businesses matters. Until the body is officially established, the steps necessary to open an office depending upon the type of investment will remain unchanged.

For concession agreements, investors must first submit project proposals to the “One Stop Shop” Unit in the IPD at MPI. For general investments which are not listed in controlled businesses, proposals must go to the One Stop Shop of the Enterprise Registration and Management Department for General Business at the Ministry of Industry and Commerce (MOIC). Investments in special economic zones and specific economic zones must be taken to the Secretariat of the National Committee for Special Economic Zones, under the Prime Minister’s Office or to the One Stop Shop located within a pre-established SEZ.

Each of the three bodies should screen projects for financial and technical feasibility before forwarding them to relevant line ministries for review. Depending on the size of the

investment, they are then sent to the Prime Minister’s Office (PM) or “Government Office” for adjudication. In addition to the investment license, foreign investors may be required to obtain other permits, including: an annual business registration from MOIC; a tax registration from the Ministry of Finance; a business logo registration from the Ministry of Public Security; permits from each line ministry related to the investment (e.g., MOIC for manufacturing; Ministry of Energy and Mines for power sector development); appropriate permits from local authorities; and an import–export license, if applicable. Obtaining the necessary permits can pose a challenge, especially in areas outside the capital. The government should respond to proposed new investments within 15–45 working days, though in practice this limit is exceeded. Foreign enterprises must begin business activities within 90 days from the date of receipt of an investment license, or the license is subject to termination.

## **Franchising**

Franchising is popular in urban areas of Laos, with several regional and global chains represented in the market. “Texas Chicken,” the overseas version of Church’s Chicken, opened in early 2017, and Avis Car Rental operates in several cities. Hotel, car rental, and food and beverage companies have successfully entered the Lao marketplace, usually entering Laos after finding success elsewhere within Thailand or Vietnam.

## **Direct Marketing**

Direct marketing in Laos by electronic means may have increased potential, as an estimated 89 percent of the total population has mobile cellular subscriptions, and internet penetration (though still low) is growing quickly, particularly in more urban areas. Although the road network is improving, there is limited postal coverage. The literacy rate is officially estimated to be 80 percent for those older than 15 years.

## **Joint Ventures/Licensing**

Care in selection of suitable business partners for joint ventures is crucial in Laos. As in other countries in the region, joint venture partners can contribute local knowledge of language and culture, local contacts and access to human resources. There can also be challenges in a joint venture arrangement, including different management styles, different cultural expectations, and difficulty in exiting business arrangements with a local partner.

Lao foreign investment law recognizes joint ventures, but stipulates minimum requirements for the percentage of registered capital that should be contributed by the foreign investor, with the exact percentage varying depending upon the industry. Capital contributed in foreign currency should be converted into Lao 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.

Licensing arrangements also require a trustworthy Lao partner and opportunities should be thoroughly researched with, among others, the Lao government and LNCCI.

## **Selling to the Government**

The Lao Government is a leading consumer of goods and services, but procurement procedures are opaque. The national budget is heavily augmented by development assistance, and donors commonly encourage government purchases from their home industries as part of aid deals. Laos is not a party or an observer to the WTO Agreement on Government Procurement.

When business opportunities involving Lao government entities are associated with donors, support contracts are often advertised for bid in local English-language newspapers, [Vientiane Times](#) and [KPL](#). Major donor-financed deals may include infrastructure projects financed by multilateral development banks including the World Bank and Asia Development Bank.

Government purchases are not typically advertised and bid openly. However, niche opportunities are known to exist for direct private sales to government entities with past examples in such areas as telecommunications and aviation, and the government has recently issued orders that appear to require open and competitive bidding for all government-financed procurement and projects.

### **U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Asian Development Bank, World Bank)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the [Asian Development Bank](#) and the [World Bank](#).

### **Web Resources**

[Commercial Liaison Office to Asian Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

## **Distribution & Sales Channels**

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 just one active railroad in Laos, a short spur line from Nong Khai, just across the river in Thailand, which began operations in 2009 and opened its freight facilities in 2016. Construction has begun on a railway line that will link Kunming in China's Yunnan Province with Vientiane; it is expected to be complete in 2021. The Lao and Vietnamese governments have also agreed in principle to develop an expressway and railway line to link Vientiane with a seaport at Vung Ang in Vietnam. 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. Road improvements are

ongoing, with several decent roads in the northern provinces and along the southern corridor connecting Thailand, Laos, and Vietnam. More companies based in Laos are electing to move their products to the deep-water ports of Vietnam, as road improvements have—in some cases—made the route more economical than traveling south to Thai ports.

### **Express Delivery**

Express delivery services exist in Laos, though they remain costly and inhibited by the lack of a formal system of addresses. Furthermore, in many cases the Lao postal service must act as an intermediary.

### **Selling Factors & Techniques**

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, and the Lao market can be difficult for American products due to their relatively high prices. To compete successfully, some U.S. firms have combined routine advertising with workshops, training programs, trade shows, and product launching events for wholesalers and distributors, as well as customers. U.S. products that enter the Thai market are often found in the Lao market as well. Though new product labeling requirements are under consideration, Thai products with Thai language packaging are ubiquitous in Laos and most educated Lao can read Thai, so Thai language packaging often suffices. American products that include Lao-language packaging and/or promotional materials are likely to be positively received.

### **eCommerce**

While interest has grown, electronic commerce is not widely used in Laos, due to underdevelopment of the telecommunications infrastructure and the low rate of formal banking and credit card use. Country-wide, the majority of internet users access the web by mobile device. Broadband internet access is widely available in Vientiane. The Lao government passed a law on electronic transactions in 2012, paving the way for future growth in electronic commerce.

### **Trade Promotion & Advertising**

Advertising and trade promotion are important marketing tools for American products. Radio, print, SMS, social media, and internet advertising are widely used in Laos. 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.

To reach the large youth population in urban centers, advertisers increasingly use social media and popular websites. Many large companies advertise in local newspapers and magazines, though distribution is dwarfed by the readership of popular internet sites.

### **Pricing**

Laos has a national VAT of 10%, though it is not uniformly collected.

## **Sales Service/Customer Support**

Relationships are important in Laos, though the concepts of after-sales service and customer support are relatively new and not widely expected.

## **Due Diligence**

Due diligence is key in the Lao market. Companies are advised to make regular 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**

The legal community is small in Laos and it is wise to ask for recommendations. Please see the [US Citizen Resource website](#) for information on local professional services.

## **Principal Business Associations**

LNCCI is the main business association in Laos, and several other organizations work on business issues within Laos, including:

- The American Lao Business Association (a member of the Asia Pacific Council of American Chambers of Commerce.)
- The U.S.-ASEAN Business Council
- The European Chamber of Commerce and Industry in Laos
- The Australian Chamber of Commerce in Laos
- Other foreign chambers, including Vietnam, Thailand, China, Japan, Korea, and others.

Many of the western chambers that conduct their business in English have flexible membership requirements.

## **Limitations on Selling US Products and Services**

“Strategic” industries may be subject to special requirements. Consult the Lao Trade Portal and the official gazette for the latest information.

## **Selling U.S. Products and Services Web Resources**

- [Laos Investment Promotion Department](#)
- American Lao Business Association
- [Lao Trade Portal](#)
- [Lao Electronic Gazette](#)
- [U.S. Embassy in Vientiane, Laos](#)
- [U.S. Census Trade data](#)
- [CIA World Factbook](#)

# Leading Sectors for U.S. Exports and Investment

## Tourism Infrastructure and Resorts

### Overview

	2011	2012	2013	2014	2015	2016
Gross Domestic Product (GDP) US \$BN	8.3	9.4	11.2	11.7	12.6	15.9
Percentage of GDP – Travel & Tourism Total Contribution to GDP	14.63 %	15.08%	14.22%	14.12%	14%	14%

The tourism industry in Laos is developing rapidly, with a particular emphasis on eco-tourism. However, although the Travel & Tourism sector saw 26% growth in 2015, its relative share of GDP remained constant at 14% as prior years due to concurrent growth in other sectors of the economy. The major tourist destination is the world heritage site and ancient capital of Luang Prabang. Eco-tourism featuring the undeveloped Lao countryside is gaining in popularity with both domestic and international tourists.

### Web Resources

- [Information on Luang Prabang](#)
- Lao Ministry of Information, Culture and Tourism:
  - [Ecotourism Laos: World Heritage Sites](#)
  - [Knoema: World Travel and Tourism](#)
  - [Economist Intelligence Unit: Laos Country Report](#)

## Architecture, Construction and Engineering Services

### Overview

In 2016, the industry (incl. construction) sector added 28.8 percent value to the GDP for Laos. Laos has underdeveloped infrastructure, including its road networks, and its public water and electricity systems. Transportation projects will be in high demand as the country modernizes. There are also several large-scale construction projects ongoing in the capital of Vientiane, including office buildings and shopping malls. Chinese, Vietnamese and Thai companies are the most active participants in infrastructure development in Laos. The Lao government makes use of donor funding, development banks and other financing methods to pay for infrastructure projects. Laos is undergoing development of its airport and aviation system, including provincial airports.

Laos is seeking to modernize and integrate its electrical grid in the next decade as it seeks to meet its goal of increasing electricity exports to Thailand and Vietnam, while at the same time providing electricity to 90 percent of the population by 2020. To do this it will need to invest in modern power distribution and power management equipment and expertise.

### Web Resources

- [World Bank](#)
- [Asian Development Bank](#)
- [Knoema](#)

## **Pharmaceuticals, Medical Supplies and Medical Equipment**

### **Overview**

According to the World Health Organization, “Laos has made considerable progress towards achieving Millennium Development Goals (MDGs) 4, 5, 6 and 7 (Health MDGs scorecard for LMICs\* in the Western Pacific Region, 2016). However, malnutrition among children less than 5 years and persistently high maternal mortality ratio still raise serious concerns. Laos is a crisis country in terms of its healthcare workforce. Weakness in health systems including health financing, health information system, health infrastructure and planning and management of health services still persists.”

“The Ministry of Health remains the main provider of health services to the country. In recent years, the Ministry has made significant progress in terms of health policy development and decentralization of health services to provincial, district and health center levels. However, investment in health is still low and out-of-pocket spending remains high at about 44 percent and social health protection coverage limited to 26.5 percent of the total population. Health service provision is strained by a lack of qualified, adequately distributed staff, adequate infrastructure and affordable and regular drug supply and increased vulnerability to climate change.”

The health care system in Laos is very rudimentary but developing. Maternal and child health is an important priority for the GOL as it seeks to graduate from Least Developed Country status by 2020. The Ministry of Health controls the import of medical equipment, supplies and pharmaceuticals. Refurbished medical equipment and low-cost pharmaceuticals are market possibilities.

### **Web Resources**

[World Health Organization: Lao People’s Democratic Republic](#)

## **Customs, Regulations, & Standards**

### **Import Tariffs**

The Lao import tax system aims to promote importation of inputs for investment and production while protecting domestic production and limiting luxury imports. Certain foreign investments are not obliged to pay import duty on imports of capital machinery and equipment for production, and in some SEZs, no duty is paid on inputs as long as the final product is exported from Laos. Raw materials and intermediate goods imported for import substituting industries can be accorded special treatment based on an incentive agreement.

There are standard ASEAN import tariff rates varying from zero to 40 percent, excluding non-ASEAN countries and according to the Tariff Nomenclature of Lao PDR based on ASEAN Harmonized Tariff Nomenclature (AHTN 2012). These published rates are levied by the Customs Department.

Excise tax ranges from 5-90% on many goods. The Lao government has phased out turnover taxes over the last several years and replaced them with a Value Added Tax (VAT) regime, though it remains inconsistently applied. Additional tax information can be found at the [Tax Department, Ministry of Finance](#).

### **Trade Barriers**

The Lao Government has simplified its tariff structure and is gradually amending non-tariff barriers. Laos has placed a high priority on trade facilitation and was one of the earliest countries to ratify the WTO Trade Facilitation Agreement. 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.

### **Import Requirements & Documentation**

The Lao Trade Portal website should have the most up-to-date requirements and regulations for importation of goods.

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 investors must periodically 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. A customs clearance report; and
6. Depending on the type of good, an import license or permits obtained from relevant ministries.

Importers of raw materials for re-export are required to have the same documents as other importers, except for a contract and import license. Automobile importers, individuals or companies, unless they have obtained duty free status, must pay an import tax, excise tax, VAT, and, potentially, a tax for luxury goods.

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.

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. Pre-shipment inspection is required for exported goods in accordance with the requirements of the destination country.

## **U.S. Export Controls**

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.

The Department of Commerce provides [a list](#) that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions.

## **Temporary Entry**

Products imported for the purposes of processing, assembly into finished products, or for exhibition, subsequent re-export and project supervision purposes, are exempt from duty. Transit of goods through Laos requires the same documents normally needed for import and export and a check or letter of guarantee from a bank. However, Ministry of Finance of Laos is working on revising the existing regulations to ensure they are aligned with international standards, particularly the ASEAN Customs Transit System. Goods traveling through Laos are not subject to import or export taxes.

## **Labeling/Marking Requirements**

Labelling/Marking in Laos has become an obligation for importers. Every product imported or locally produced must be labelled in Lao language prior to distribution. The label must include product name, trademark as registered by manufacturer and importer, name and address of manufacturer or importer/distributor, country of origin, price, weight, ingredients,

direction of use, warning, date of manufacture and expiry, according to Ministerial Ordinance on products labeling in Lao language No. 2501/MOIC.DTD, dated 16 Dec 2015.

## **Prohibited & Restricted Imports**

In February 2010, the Lao government launched the Decree on Import and Export Licensing procedures of Controlled Goods, No. 180 PMO, in a bid to comply with the World Trade Organization (WTO) and World Customs Organization (WCO) rules. Laos also began implementing the Notification for Goods Subject to Non-Automatic Import and Export Licensing and Goods Subject to Automatic Import and Export Licensing, No 0076/MOIC.DIMEX, Vientiane Capital, date 13 January 2012. For more information, please contact the [Department of Import and Export Management](#).

## **Customs Regulations**

Please see the [Lao government website](#).

[The Lao Trade Portal](#), established in 2012, has extensive information for exporters and importers.

## **Standards for Trade**

### **Overview**

Although there is no specific law regulating imports and exports, decrees issued by the Office of the Government and Ministry of Industry and Commerce provide guidance regarding imports and exports. For example, the [Decree on Import and Export of Goods No. 114/GoL](#) and [Decree On Import Licensing Procedures No. 180/PM](#), issued by Prime Minister Office.

### **Standards**

Laos currently has no independent standards organizations. In 2011, [the Department of Standards and Metrology in the Ministry of Science and Technology](#) was established as an independent department alongside the Department of Intellectual Property. In 2014, Laos passed the Law on Standards and USAID's LUNA Lao II project seeks to assist the Lao develop implementing regulations for the law.

### **Conformity Assessment**

The Department of Standards and Metrology would lead any conformity assessment.

### **Product Certification**

The Department of Standards and Metrology would lead any product certification.

### **Accreditation**

Regulations in the area of accreditation are under revision.

### **Publication of technical regulations**

Laos currently does not publish technical regulations with regularity, although the Official Gazette, designed to publish all proposed and enacted legislation, is a potential mode for publishing such information in the future.

## Contact Information

Department of Standards and Metrology: [Department of Intellectual Property](#).

## Trade Agreements

Laos acceded to the World Trade Organization (WTO) in 2013, and continues to integrate with ASEAN neighbors through the ASEAN Economic Community. The following countries have granted Generalized System of Preference (GSP) status to Laos: Australia, Canada, Iceland, Japan, New Zealand, Norway, Russia, Switzerland, and Turkey. The following offer LDC-specific tariff free treatment to Lao goods: Chile, China, Taiwan, Kyrgyz Republic, Tajikistan, and Thailand.

Laos has also signed trade agreements with all nine other members of ASEAN and is engaged in a range of negotiations as a member of ASEAN. Laos and the United States signed a Trade and Investment Framework Agreement in 2016. Laos has also signed various bilateral agreements with Vietnam, China, Cambodia, Burma, Thailand, North Korea, Mongolia, Malaysia, Russia, India, Belarus, Argentina, Kuwait, and Turkey.

## Licensing Requirements for Professional Services

Licensing requirements are subject to change and are managed by several ministries. The Lao government's [Invest Laos website](#) contains related information.

## Trade Regulation Web Resources

- [Laos Investment Promotion Department](#)
- [Lao Trade Portal](#)
- [Lao Electronic Gazette](#)
- [U.S. Embassy in Vientiane, Laos](#)

# Investment Climate Statement

## Executive Summary

Laos, officially the Lao People's Democratic Republic (Lao PDR), is a rapidly growing developing economy at the heart of Southeast Asia, bordered by Burma, Cambodia, China, Thailand, and Vietnam. Laos' economic growth over the last decade averaged just below eight percent, placing Laos amongst the fastest growing economies in the world. Over the last thirty years, Laos has made slow but steady progress in implementing reforms and building the institutions necessary for a market economy, culminating in accession to the World Trade Organization (WTO) in February 2013. The Lao government's commitment to WTO accession and the creation of the ASEAN Economic Community (AEC) in 2015 led to major reforms of economic policies and regulations aimed at improving the business and investment environment. The Lao government is increasingly tying its economic fortunes to the economic integration of ASEAN and export-led development.

The rapid economic growth over the last decade has been driven by the exploitation of natural resources and development of hydropower, with both sectors largely led by foreign investors. However, the government recognizes that growth opportunities in these industries are finite, and has prioritized the development of high-value agriculture, light manufacturing, and tourism while continuing development of a range of energy resources and improving electrical transmission capacity to neighboring countries.

The Lao government hopes to leverage its lengthy land borders with Burma, China, Thailand, and Vietnam, and to implement policies that will make Laos "land-linked" rather than landlocked, prioritizing easy access to larger, emerging neighbor economies. The government hopes to increase exports of agriculture, manufactured goods, and electricity to its more industrialized neighbors. Some businesses and international investors are beginning to use Lao production bases as an opportunity to reach the broader Mekong region, including southern China. Others are placing parts of their global value chains in Laos, often as a way to diversify from existing production bases in Thailand or Vietnam. New Special Economic Zones (SEZs) in Vientiane and Savannakhet have attracted major manufacturers from Europe, North America, and Japan.

Economic progress and trade expansion in Laos remain hampered by a shortage of workers with technical skills, weak education and health care systems, and poor—although improving—transportation infrastructure. Institutions, especially in the justice sector, remain highly underdeveloped and regulatory capacity is low. Investors report that corruption at all levels remains a major concern.

Corruption, policy and regulatory ambiguity, and the uneven application of law are disincentives to further foreign investment in the country. The Lao government is making efforts to improve and its five-year plan directs the government to formulate "policies that would attract investments" and to "begin to implement public investment and investment promotion laws." Investors, however, report that practice has not yet caught up with the spirit of new laws. Furthermore, the multiple ministries and three separate methods for foreign investment into Laos lead to confusion, with many potential investors engaging either local

partners or law firms to navigate the often confusing bureaucracy, or turning their efforts entirely toward other countries in the region.

Table 1

Measure	Year	Index/Rank
<a href="#">TI Corruption Perceptions Index</a>	2016	123 of 176
<a href="#">World Bank's Doing Business Report "Ease of Doing Business"</a>	2016	139 of 190
<a href="#">Global Innovation Index</a>	2016	Not ranked
<a href="#">U.S. FDI in partner country (\$M USD, stock positions)</a>	2015	No data available
<a href="#">World Bank GNI per capita</a>	2015	\$1,740

## Openness To, and Restrictions Upon, Foreign Investment

### Policies Toward Foreign Direct Investment

The Lao government officially welcomes both domestic and foreign investment as it seeks to keep growth rates high and graduate from Least Developed Country status. The pace of foreign investment has increased over the last several years. According to Lao government statistics, mining and hydropower account for eighty percent of Foreign Direct Investment (FDI). China, Vietnam, Thailand, Korea, France, and Japan are the largest sources of foreign investment. The government's Investment Promotion Department encourages investment through its [Invest Laos website](#), and has committed to annual dialogue with the private sector and foreign business chambers through the Lao Business Forum process.

The 2009 Law on Investment Promotion introduced uniform business registration requirements and tax incentives which in most cases apply equally to foreign and domestic investors. An update to the investment law was approved by the National Assembly in 2016 and signed into law by the president in December the same year. Foreigners may invest in any sector or business except in cases where the government deems the investment to be detrimental to national security, health or national traditions, or to have a negative impact on the natural environment. Even in cases where full foreign ownership is permitted, many foreign companies seek a local partner. Companies involved in large FDI projects, especially in mining and hydropower, often either find it advantageous or are required to give the government partial ownership.

Foreign investors are typically required to go through several steps prior to commencing operations. Many foreign business owners and potential investors claim the process to be overly complex and regulations to be erratically applied, particularly toward foreigners. Investors also describe confusion of roles between the ministries, with multiple ministries unexpectedly involved in the approval process. In addition to an investment license, foreign investors are required to obtain other permits, including; an annual business registration from the Ministry of Industry and Commerce; a tax registration from the Ministry of Finance; a business logo registration from the Ministry of Public Security; permits from each line ministry related to the investment (i.e., Ministry of Industry and Commerce for manufacturing; Ministry of Energy and Mines for power sector development); appropriate

permits from local authorities; and an import-export license, if applicable. Obtaining the necessary permits can pose a challenge, especially in areas outside the capital.

There are several possible vehicles for foreign investment. Foreign partners in a joint venture must contribute at least 30 percent of the company's registered capital. Wholly foreign-owned companies may be entirely new or a branch of an existing foreign enterprise. Equity in medium and large-sized SOEs can be obtained through a joint venture with the Lao government.

Although reliable statistics are difficult to obtain, there is no question that foreign investment has increased dramatically over the last several years. According to UNCTAD, total FDI stock doubled between 2008 and 2013, reaching USD 2.8 billion. There are also small but growing signs of growth in higher-quality FDI at Special Economic Zones focused on light manufacturing.

### **Limits on Foreign Control and Right to Private Ownership and Establishment**

Foreigners may invest in any sector or business except in cases where the government deems the investment to be detrimental to national security, health, or national traditions, or to have a negative impact on the natural environment. Even in cases where full foreign ownership is permitted, many foreign companies seek a local partner in order to navigate byzantine official and unofficial processes. Companies involved in large FDI projects, especially in mining and hydropower, often either find it advantageous or are required to give the government partial ownership. The registered capital requirement for foreign investors is extremely high (1 billion LAK, or 120,000 USD) compared to other countries in the region, and does not vary based on the type or scale of the business.

### **Other Investment Policy Reviews**

The [OECD](#) expects to release its new investment policy review of Laos in the second quarter of 2017.

The World Bank provides their [2014 Lao PDR Investment Climate Assessment](#).

### **Business Facilitation**

Laos does not have a central business registration website. Timelines and government agencies involved in business registration can vary considerably. Many investors and even locals will hire consultancies or law firms to shepherd the effort-intensive registration process, which can take from a few weeks to several months.

The Lao government has attempted to streamline business registration through the use of a "one-stop shop" model. For general business activities, this service is located in the Ministry of Industry and Commerce. For activities requiring a government concession, the service is located in the Ministry of Planning and Investment. For Special Economic Zones (SEZ), one-stop registration is run through the Secretariat to the Lao National Committee on Special Economic Zones (SNCSEZ) in the Office of the Prime Minister. According to Prime Minister's Decree 177, the Savan-Seno SEZ authority is required to establish one-stop service to facilitate the issuing of investment licenses and improve the efficiency of business operations.

Business owners give the one-stop shop concept mixed reviews. Many acknowledge that it is an improvement, though describe it as an incomplete reform with several steps that must still be taken outside of the “single stop.” Businesses also complain that there are often different registration requirements at the central and provincial levels.

### **Outward Investment**

The Lao government does not actively promote, incentivize, or restrict outward investment.

### **Bilateral Investment Agreements and Taxation Treaties**

According to UNCTAD, Laos has bilateral investment agreements with Australia, Burma, Cambodia, China, Cuba, Denmark, France, Germany, India, Indonesia, Japan, Kuwait, Malaysia, Mongolia, Netherlands, North Korea, Pakistan, Philippines, Russia, South Korea, Singapore, Sweden, Switzerland, Thailand, the United Kingdom, and Vietnam. On February 1, 2005, a Bilateral Trade Agreement (BTA) came into force between the United States and the Government of Laos which contains some investment provisions.

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

### **Legal Regime**

#### **Transparency of the Regulatory System**

Regulations in Laos can be vague and conflicting, a subject which the private sector raises regularly with the government, including through official fora such as the Lao Business Forum. The 2013 Law on Making Legislation mandated that all laws be available online at the [official Gazette website](#). Draft bills are also available for public comment through the official Gazette website. Though the situation continues to improve, the realities of doing business in Laos can fail to correspond with existing legislation and regulation. Implementation and enforcement often do not strictly follow the letter of the law, and vague or contradictory clauses in laws and regulations provide for widely varying interpretations. Regulations at the national and provincial levels can often diverge, overlap, or contradict one another. Many local firms complain of informal or gray competition from firms that offer lower costs by flaunting formal registration requirements and operating outside of government regulatory structures.

The nascent legal, regulatory, and accounting systems are not particularly conducive to a transparent, competitive business environment. International accounting norms apply and major international firms are present in the market, though understanding and adherence to these norms is limited to a small section of the business community. There are only four companies listed on the Lao stock exchange. Regulations dictate that companies listed on the exchange are to be held to accounting standards, but capacity to enforce those standards is low. According to the Law on Making Legislation, laws should be made available for comment through the electronic gazette, though this occurs inconsistently in practice.

## **International Regulatory Considerations**

Laos is a member of the ASEAN Economic Community (AEC), and would seek to implement any AEC-agreed standards domestically. However, the local capacity to develop regulatory standards is weak, while enforcement of technical regulations is weaker still.

## **Legal System and Judicial Independence**

Laos currently has a poorly developed legal sector. The government aims to become a “rule of law state” by 2020 and continues to work with many international donors on a comprehensive legal sector reform plan. From 1975 to 1991, Laos did not have a constitution, and government decrees, issued by many ministries and officials, provided the country’s legal framework. While there have been dramatic improvements in the legal system in more recent years, there are relatively few lawyers, inexperienced judges, and laws often remain vague and subject to broad interpretation.

The existing system incorporates some major elements of the French civil law system, but is also influenced by the former Soviet Union’s legal system as well as those of neighbors in the region. Court decisions are neither widely published nor do they dramatically affect future decisions. The Lao judicial system is bureaucratically independent of the government cabinet, but still subject to government and political interference.

Contract law in Laos is lacking in many areas important to trade and commerce. While it does provide for sanctity of contracts, in practice, contracts are subject to political interference and patronage. Business have reported that contracts can be voided if found disadvantageous to one party, or if an agreement conflicts with state or public interests. Foreign businessmen have described contracts in Laos as being considered “a framework for negotiation” rather than a binding agreement, and even when faced with a judgment, enforcement is weak and further subject to the influence of corruption. 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.

## **Laws and Regulations on Foreign Direct Investment**

A new investment law remained under consideration as of April 2017, but is expected to be approved during the year. The 2009 Law on Investment Promotion introduced uniform business registration requirements and tax incentives that apply equally to foreign and domestic investors. Foreigners may invest in any sector or business except in cases where the government deems the investment to be detrimental to national security, health, or national traditions, or to have a negative impact on the natural environment. Aside from these sectors, there are no statutory limits on foreign ownership or control of commercial enterprises, but in practice many companies seek a local partner.

Most laws of interest to investors will be featured on the [Lao Trade Portal website](#), with many laws and regulations translated into English, or on [the Official Gazette](#). The 2012 Law on Making Legislation stipulated that any legislation not posted by the end of 2014 to the electronic Official Gazette would be void. While many laws were placed on the site before the end-2014 deadline, others older laws, which would have been voided on January 1, 2015, have

been placed on the site since without being formally re-approved by the relevant legal bodies, resulting in a legal gray area.

Neither the government's investment bureaucracy nor the commercial court system is well developed. Investors have experienced government practices that deviate significantly from publicly available law and regulation. Some investors decry the courts' limited ability to handle commercial disputes and the judicial system's vulnerability to corruption. The Lao government has repeatedly underscored its commitment to increasing predictability in the investment environment, though in practice, with some exception in SEZs and for larger companies, foreign investors describe inconsistent application of laws and regulations.

### **Competition and Anti-Trust Laws**

A new competition law was approved in 2015 which applies to both foreign and domestic individuals and entities. The law was drafted with the assistance of the German government and other donors. The competition law was one of the Lao government's policy efforts to implement the ASEAN Economic Community, or AEC, before 2016. The law established two new government entities, the Business Competition Control (BCC) Commission and the BCC Secretariat. The BCC Commission is the senior body and its membership is decided by the Prime Minister with the advice of the Minister of Industry and Commerce. According to the legislation, it should include senior officials from multiple ministries as well as businesspeople, economists, and lawyers. The BCC Commission can draft regulations, approve mergers, levy penalties, and provide overall guidance on government competition policy and regulation. The BCC Secretariat, a lower-level institution equivalent to a Ministry of Industry and Commerce department or division, can hear complaints, conduct investigations, and conduct research and reporting at the request of the Commission.

### **Expropriation and Compensation**

According to law, foreign assets and investments in Laos are protected against seizure, confiscation, or nationalization except when deemed necessary for a public purpose. Public purpose can be broadly defined, however, and land grabs are feared by Lao nationals and expatriates alike. In case of government expropriation, the Lao government is supposed to provide fair market compensation. A business relying on a specific parcel of land may lose its investment license if the land is in dispute. Revocation of an investment license cannot be appealed to an independent body, and companies whose licenses are revoked must then quickly liquidate their assets. Small landholdings, land with unclear title, or land on which tax has not been paid is at particular risk of expropriation.

### **Dispute Settlement**

#### *ICSID Convention and New York Convention*

Laos is not a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). It is, however, a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

### *Investor-State Dispute Settlement*

According to the Law on Investment Promotion, dispute resolution should be escalated through the following methods: mediation, administrative dispute resolution, dispute resolution by the Committee for Economic Dispute Resolution, and finally, litigation. However, due to the poor state of the Lao legal system and low capacity of most Lao legal administrators, foreign investors are generally advised to seek arbitration outside the country. There are few publicly available records on international investment disputes. In disputes involving the Ministry of Planning and Investment, decisions can only be appealed back to the Ministry itself. There is, as of early 2017, no separate independent body. Thus, a company alleging unfair treatment by the government has no independent recourse.

### *International Commercial Arbitration and Foreign Courts*

Beyond those listed above, there are no formal Alternative Dispute Resolution mechanisms provided in Lao law. There is no known history of Laos enforcing foreign commercial arbitral decisions.

### **Bankruptcy Regulations**

The 1994 bankruptcy law permits either the business or creditor the right to petition the court for a bankruptcy judgment and allows businesses the right to request mediation. The law authorizes liquidation of assets based upon the request of a debtor or creditor. However, there is no record of a foreign-owned enterprise, whether as debtor or as creditor, petitioning the courts for a bankruptcy judgment. According to the World Bank's Ease of Doing Business Report, Laos remains at the very bottom of the global rankings for "ease of resolving insolvency."

### **Industrial Policies**

#### **Investment Incentives**

Laos offers a range of [investment incentives](#) depending on the investment vehicle, with particular focus on government concessions and Special Economic Zones. Many of these incentives are generally governed by the Investment Promotion Law.

#### **Foreign Trade Zones/Free Ports/Trade Facilitation**

The Foreign Investment Law allows for the establishment of Special Economic Zones and Specific Economic Zones (both referred to as SEZs). Special Economic Zones are intended to support development of new infrastructure and commercial facilities and include incentives for investment. Specific Economic Zones are meant to develop existing infrastructure and facilities and provide a lower level of incentives and support than Special Economic Zones. Laos has announced plans to construct as many as 40 special and specific zones over the coming years hoping to attract USD three billion in foreign investment.

The Vientiane Industry and Trade Area SEZ, or "VITA Park," and the Savan-SENO Special Economic Zone in Savannakhet province are developing as production, supply, and distribution centers with increasingly sophisticated manufacturing businesses. Savannakhet has drawn several large foreign investors and opened a new dry port and logistics center in early 2016. Other SEZs in the northern part of the country have targeted growth through a

tourism model, relying upon casinos to attract tourists from neighboring countries. Prostitution, wildlife trafficking, and drug trafficking have been reportedly problematic in some northern tourism-focused SEZs.

Generally, the Lao government places a high priority on trade facilitation measures in international fora, particularly as it relies upon trade across its neighboring countries in order to reach sea ports. Nonetheless, Laos has struggled to harmonize its own internal processes. Cross-border trade laws and regulations should be applied uniformly across the entire customs territory of Laos. In reality, however, customs practices vary widely at different ports of entry. With assistance from Japan, the Lao government instituted a new system for electronic collection of customs fees at several major border crossings in 2016. On several border crossings with Vietnam, Lao and Vietnamese officials jointly conduct inspections to facilitate movement of goods.

### **Performance and Data Localization Requirements**

Laos does not have performance requirements. Requirements relating to foreign hiring are governed by the 2014 Labor Law, though in practice, large investors have been able to extract additional government concessions on use of foreign labor. Some foreign-owned businesses have criticized labor regulations for strict requirements that foreign employees not travel abroad during the first months of their Lao residency.

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

## **Protection of Property Rights**

### **Real Property**

The government continues to consider changes to its existing land policy, though progress has been slow and is further complicated by sensitive issues including community-held land rights, traditional land rights, slash-and-burn or “shifting cultivation,” and a history of expropriation for infrastructure, mining, and power projects.

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

A creditor may enforce security rights against a debtor and the concept of a mortgage does exist. Although the Lao government is engaged in a land parceling and titling project, it remains difficult to determine if a piece of property is encumbered in Laos. Enforcement of mortgages is complicated by the legal protection given mortgagees against forfeiture of their sole place of residence.

Laos provides for secured interest in moveable and non-moveable property under the 2005 Law on Secured Transactions and a 2011 implementing decree from the Prime Minister. In

2013, the State Assets Management Authority at the Ministry of Finance launched a new Secured Transaction Registry (STR), intended to expand access to credit for individuals and smaller firms. The STR allows for registration of movable assets such as vehicles and equipment so that they may be easily verified by financial institutions and used as collateral for loans.

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

### **Intellectual Property Rights**

Intellectual property protection in Laos is weak, but steadily improving.

In 2011 the National Assembly passed a comprehensive revision of the Law on Intellectual Property. The Ministry of Science and Technology now controls the issuance of patents, copyrights, and trademarks. The consolidation of responsibility for IPR under the Ministry of Science and Technology is a positive development, but the Ministry lacks enforcement capacity. Laos is a member of the ASEAN Common Filing System on patents, but lacks qualified patent examiners.

For additional information about treaty obligations and points of contact at local IP offices, please see [WIPO's country profiles](#).

### **Financial Sector**

#### **Capital Markets and Portfolio Investment**

Laos does not have a well-developed capital market, although government policies increasingly support the formation of capital and free flow of financial resources. [The Lao Securities Exchange \(LSX\)](#) began operations in 2011 with two stocks listed, both of them state-owned – the Banque Pour l'Commerce Extérieur (BCEL), and the power generation arm of the electrical utility, Electricité du Laos - Generation (EDL-Gen). In 2012, the Lao government increased the proportion of shares that foreigners can hold on the LSX from 10 to 20 percent. As of April 2017, there are only five companies listed on the LSX: BCEL, EDL-Gen, Petroleum Trading Laos (fuel stations), Lao World (property development and management), and Souvanny Home Center (home goods retail).

Businesses report that they are often unable to exchange kip into foreign currencies through central or local banks. Analysts have suggested that concerns about dollar reserves have led to temporary problems in the convertibility of the national currency. Private banks allege that the Bank of Lao PDR withholds dollar reserves. The Bank of Lao PDR alleges that the private banks already hold sizable reserves and have been reluctant to give foreign exchange to their customers in order to maintain unreasonably high reserves. The tightness in the forex market led to a temporary 5-10% divergence between official and gray-market currency rates in late 2016.

Lao and foreign companies alike note the lack of long-term credit in the domestic market. Loans repayable over more than five years are very rare, and the choice of credit instruments in the local market is limited. The Credit Information Bureau, developed to help inject more

credit into markets, still has very little information and has not yet succeeded in mitigating lender concerns about risk.

### **Money and Banking System**

The banking system is under the supervision of the Bank of Lao PDR, the nation's central bank, and includes more than 40 banks. Private foreign banks can establish branches in all provinces of Laos. ATMs have become ubiquitous in urban centers. Technical assistance to Laos' financial sector has led to some reforms but overall capacity within the financial governance structure remains poor.

The banking system is dominated by large, government-owned banks. The health of the banking sector is difficult to determine given a lack of reliable data, though banks are widely believed to be poorly regulated and there is broad concern about bad debts and non-performing loans that have yet to be fully reconciled by the state-run banks in particular. The IMF and others have encouraged the Bank of Lao PDR to facilitate recapitalization of the state-owned banks to improve the resilience of the sector.

Concerns over weak local banking regulation, lax enforcement, and exposure to risk stemming from a lack of money-laundering controls led some western banks to terminate correspondent banking relationships with Lao banks. The Bank of Lao PDR temporarily ceased licensing new banks in 2014, justifying the move as a means to better regulate existing banks and assess their compliance with existing regulations.

There is no publicly available data, but non-performing loans are widely believed to be a major concern in the financial sector, fueled in part by years of rapid growth in private lending. The government's fiscal difficulties in 2013 and 2014 led to non-payment on government infrastructure projects. The construction companies implementing the projects in turn could not pay back loans for capital used in construction. Many analysts believe the full effects of the government's fiscal difficulties have not yet worked their way through the economy.

### **Foreign Exchange and Remittances**

#### *Foreign Exchange*

There are no published, formal restrictions on foreign exchange conversion, though restrictions have previously been reported, and because the market for Lao kip is relatively small, the currency is rarely convertible outside the immediate region. In 2013, Laos suffered fiscal and monetary difficulties, which resulted in low levels of foreign reserves. In response, the Bank of the Lao PDR (BOL) imposed daily limits on converting funds from Lao kip into U.S. dollars and Thai baht, leading to difficulties in obtaining foreign exchange in Laos. Again in late 2016, banks and some businesses reported restrictions on foreign currency conversion, though others claimed they had no trouble accessing foreign currency.

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

annually and submit annual financial statements to the Ministry of Planning and Investment (MPI).

The Bank of Lao PDR maintains an adjustable peg against the U.S. dollar for the Lao currency, the kip or LAK, and allows fluctuations within a band of plus or minus five percent. The peg is adjusted to account for fluctuations in value of both the U.S. dollar and the Thai baht. In recent years, the kip's value has fluctuated far less than the allowed five percent from the adjustable peg. In 2016, the kip appreciated against the Thai baht while depreciating slightly against the U.S. dollar.

#### *Remittance Policies*

There have been no recent changes to remittance law or policy in Laos. Formally, all remittances abroad, transfers into Laos, foreign loans, and payments not denominated in Lao kip must be approved by the Bank of Lao PDR. In practice, many remittances are understood to flow into Laos informally, and relatively easily, from a sizeable Lao workforce based in Thailand. Remittance-related rules can be vague and official practice is reportedly inconsistent.

#### **Sovereign Wealth Funds**

There are no known sovereign wealth funds in Laos.

#### **State-Owned Enterprises**

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

There is no centralized, publicly available list of Lao SOEs. The Lao government reports that there are 135 State-Owned Enterprises in Laos with more than USD five billion in assets. The government occasionally floats the idea of increasing private ownership in SOEs such as Lao Airlines through partial listings on the LSX, or spinning off parts of larger enterprises, such as the state electrical utility, EDL.

The government has not specified a code or policy for its management of SOEs and has not adopted OECD guidelines for Corporate Governance of SOEs. There is no single government body that oversees SOEs. Several separate government entities exercise SOE ownership in different industries. SOE senior management does not uniformly report to a line minister. Comprehensive information on boards of directors or their independence is not publicly available. While there is scant evidence one way or the other, private businesses generally assume that court decisions would favor an SOE over another party in an investment dispute.

#### **Privatization Program**

There is no formal SOE privatization program, though Prime Minister Thongloun has openly discussed subjecting some SOEs to greater competition and possible privatization. The government has over the past several years occasionally floated ideas of increasing private ownership in some SOEs through partial listings on the LSX, or through spinning off and privatizing parts of others.

## **Responsible Business Conduct**

There is low general awareness of responsible business conduct (RBC) and corporate social responsibility (CSR). There is no systematic government or NGO monitoring of RBC. RBC is not generally included in the government's investment policy formulations. The government has expressed interest in the Extractive Industries Transparency Initiative, but considers it a long-term objective.

## **Corruption**

Corruption is a serious problem in Laos that affects all levels of the economy. The Lao government has developed several anti-corruption laws but enforcement remains weak, with no high-profile cases ever having been brought to trial. According to the state inspection authority, the Lao Government has prosecuted some individuals for corruption, but reports are made only to the National Assembly and press coverage of such National Assembly sessions tends to cover the issue broadly without giving details. Since assuming office in early 2016, Prime Minister Thongloun Sisoulith has put a renewed focus on government anti-corruption efforts. In September 2009, Laos ratified the United Nations Convention against Corruption.

Domestic and international firms have repeatedly identified corruption as a problem in the business environment and a major detractor for international firms exploring investment or business activities in the local market.

The Lao State Inspection and Anti-Corruption Authority (SIAA), an independent, ministry-level body, is charged with analyzing corruption at the national level and serves as a central office for gathering details and evidence of suspected corruption. Additionally, each ministry and province contains an SIAA office independent from the organization in which it is housed. These SIAA offices feed into the SIAA's central system.

According to Lao law, both giving and accepting bribes are criminal acts punishable by fine and/or imprisonment. Nonetheless, foreign businesses frequently cite corruption as an obstacle to operating in Laos. Often characterized as a fee for urgent service, officials commonly accept bribes for the purpose of approving or expediting applications. Laos is not a signatory to the OECD Convention on Combating Bribery.

In 2014 an asset declaration regime entered into force for government officials, requiring them to declare income, assets and debts for themselves and their family members; this was further strengthened in 2017. Officials are required to file a declaration of assets valued over USD 2,500, including land, structures, vehicles and equipment, as well as cash, gold, and financial instruments, which is reportedly held privately and securely by the government. If a corruption complaint is made against an official, the SIAA can compare the sealed declaration with the official's current wealth. Whether this program has worked or is working in practice remains unclear.

## **Resources to Report Corruption**

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

Mr. Viengkeo PhonAsa,  
Director General

Anti-Corruption Department, State Inspection and Anti-Corruption Authority  
Sivilay Village, Xaythany District, Vientiane Capital, 13th South Road  
Tel: office: 021 715006, 021 715010; cell: 020 2222 5432

## **Political and Security Environment**

Laos is generally a peaceful and politically stable country. The risk of political violence directed at foreign enterprises or businesspersons is low. However, a string of unexplained attacks on vehicles traveling in the area of Xaysomboun province in late 2015 and 2016 caused several diplomatic missions to issue warnings to their citizens to avoid the area and at least one major mining company to alter its security stance. The motives for the attacks remain unclear, and there were no new reports of violence in 2017. There has been little-to-no political violence in the last decade.

## **Labor Policies and Practices**

The labor market is very tight with employers reporting shortages of labor at all levels. The World Bank reported in 2014 that nearly half of advertisements for low-skilled workers in Laos receive no applications.

The government enacted a new labor law in late 2014 that established many new protections for workers. It also contained provisions aimed at increasing the skills of the Lao labor force and established stricter provisions on the hiring of foreign workers.

The new law authorized also independent worker's groups to elect their own leaders and to represent their interests and engage in collective bargaining on their behalf. The Lao Federation of Trade Unions, which is associated with the ruling Lao People's Revolutionary Party, is the primary representative of labor and represents workers in tripartite processes.

Child labor is outlawed except under very strict, limited conditions that ensure no interference with the child's education or physical wellbeing. The 2014 law outlaws several forms of employment discrimination and provides standards for work hours. The minimum wage is set by separate regulation. The new law established occupational health and safety standards, but inspections remain inconsistent. An International Labor Organization project undertaken in 2015 and 2016 trained labor inspectors in basic practices, with particular focus on the garment industry.

Foreign investors using a concession as the investment vehicle are reportedly able to negotiate the percentage of foreign labor to be used in the investment. However, labor standards such as minimum wage and health and safety standards should apply uniformly regardless of investment vehicle or use of a special economic zone.

The new labor law authorizes strikes if several steps of dispute resolution fail; however, there is no record of a strike occurring in Laos. A cultural distaste for open confrontation and the general shortage of labor continue to make strikes highly unlikely. Further regulations on strikes and labor dispute resolution are expected in 2017.

Employment contracts are required under the labor law, but are rarely used in practice. As of early 2016, the government continued to work on new regulations relating to labor dispute resolution.

Collective bargaining is typically undertaken by representatives of the Lao Federation of Trade Unions, though the 2014 labor law also provides the elected representative of independent worker’s groups the ability to negotiate their own collective bargaining agreements with employers. Basic and subsistence agriculture, informal businesses, and small family businesses make up the vast majority of employment, thus collective bargaining is relatively rare in the overall economy and unfamiliar to many.

### OPIC and Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) and Laos signed a bilateral agreement in 1996. OPIC currently has no exposure in Laos, but the organization is actively exploring options for programing in the country.

### Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	\$12.37 billion	2016	\$13.7 billion (est.)	<a href="#">World Bank</a>
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2015	\$150 million	n/a	n/a	<a href="#">BEA data</a>
Host country’s FDI in the United States (\$M USD, stock positions)	n/a	n/a	n/a	n/a	<a href="#">BEA data</a>
Total inbound stock of FDI as % host GDP	n/a	n/a	n/a	n/a	

Table 3: Sources and Destination of FDI

\*Local GDP statistics from National Institute of Economic Research, investment statistics from Ministry of Planning and Investment.

Direct Investment from/in Counterpart Economy Data	
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)	
Inward Direct Investment	Outward Direct Investment
No data available	

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets		
Top Five Partners (Millions, US Dollars)		
Total	Equity Securities	Total Debt Securities

No data available

### Contact for More Information

Joseph Narus  
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U.S. Embassy, Km 9, Tha Deua Rd, Vientiane Laos  
(+856) 21 487-000  
NarusJJ@state.gov

Athnasak Sisouk  
Economic and Commercial Specialist  
U.S. Embassy, Km 9, Tha Deua Rd, Vientiane Laos  
(+856) 21 487-000  
AthansakS@state.gov

## **Trade & Project Financing**

### **Methods of Payment**

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

### **Banking Systems**

Credit growth continues to be in the double digits, though it has slowed by more than half. The Lao banking sector grew rapidly, with 35 percent credit growth year-on-year through June 2013. New private and foreign banks provide modern banking options to Lao and foreign businesses, with a total of 32 banks licensed through 2014. Laos does not have a national deposit insurance system and supervisory standards are low. Technical expertise and the range of services offered at domestic banks are limited. While it continues to receive outside assistance, central bank (BOL) supervision of the sector remains weak.

According to the Asia Pacific/Regional Review Group's visit in April 2017, the regional arm of the Financial Action Task Force (FATF), the government has made progress in strengthening its anti-money laundering (AML) regime. As a result of the Lao government's steps to improve the legal and regulatory AML framework, including drafting a new AML/Counter Financing of Terrorism law, FATF removed Laos from its "gray list" of banking jurisdictions in June 2017. However, enforcement of rules and regulations remains weak, and lingering concerns may continue to affect the ease with which international banking transactions are conducted in Laos.

### **Foreign Exchange Controls**

Lao law maintains that payment for goods and services within Laos should be conducted in Lao kip. However, companies that deal internationally have some leeway to conduct business in foreign currency as well. 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 frequently used 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 (BOL). 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 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, Malaysian, Chinese and French 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 enterprises must report on their performance annually and submit annual financial statements to MPI.

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

### **US Banks & Local Correspondent Banks**

There are no U.S. banks currently licensed to operate in Laos. BCEL, one of the large government-owned banks, has a correspondent banking relationship with Wells Fargo. Several other non-Lao banks present in Laos maintain correspondent banking relationships with large U.S. banks.

### **Project Financing**

On June 12, 2009 President Obama issued a Presidential determination that Laos and Cambodia would no longer be classified as “Marxist-Leninist countries” as defined in the Export Import Act. This determination opened the door for Ex-Im Bank activity in those two countries.

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 and the Asian Development Bank (ADB) are very active in Laos and are often involved in providing financing or guarantees for major projects. Lao PDR registered as a member of Asia Infrastructure Investment Bank (AIIB) in 2014.

### **U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Asian Development Bank, World Bank)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the [Asian Development Bank](#) and the [World Bank](#).

## **Web Resources**

[Commercial Liaison Office to Asian Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

## **Financing Web Resources**

[Trade Finance Guide](#): A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team

[Export-Import Bank of the United States](#)

[Country Limitation Schedule](#)

[OPIC](#)

[U.S. Trade and Development Agency](#)

[SBA's Office of International Trade](#)

[USDA Commodity Credit Corporation](#)

[U.S. Agency for International Development](#)

## **Business Travel**

### **Business Customs**

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 important 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 U.S. businesses seeking to enter the Lao market should plan to visit the country several times and expect various processes to move slowly.

### **Travel Advisory**

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](#).

### **Visa Requirements**

U.S. citizen visitors need a passport valid for at least six months with at least two full blank visa pages and a valid Lao visa to enter Laos. Tourist and business visas are valid for one month beginning with the date of entry into Laos. You can obtain your visa at Lao embassies and consulates abroad. The [Embassy of Laos](#) is at 2222 S St NW, Washington DC 20008, tel: 202-332-6416, fax: 202-332-4923. U.S. citizen visitors can also obtain a Lao visa on arrival at the airports in Vientiane, Luang Prabang, and Pakse, as well as all major border crossings. For visas on arrival, you must present two photographs (3cm x 4cm) and pay \$35 USD (U.S. cash is accepted).

You can extend your 30-day tourist visa up to an additional 60 days for a fee of \$2 USD per day through the Department of Immigration in Vientiane. If you overstay your visa in Laos, you risk arrest and will be fined \$10 USD for each day of overstay when you depart the country. The fines are payable in U.S. dollars only, and are never waived under any circumstances. You must settle all immigration fines before attempting to exit Laos. Fines are paid at the Department of Immigration, Foreigner Control Office in downtown Vientiane. You cannot settle fines and penalties at airports or border crossings.

Business visas can only be arranged in advance; a company or individual “sponsor” must contact the Lao Ministry of Foreign Affairs (MFA) in Vientiane and request a visa for you and offer a “guarantee.” Once the Lao MFA approves the request, the approval will be sent to the Lao Embassy in Washington, DC, and business travelers may then apply for the business visa. This process usually takes one to three months. After you arrive, you can generally extend your business visas for one month.

#### [US Travel Document Website](#)

Lao telephone: +856-21-255-500

U.S. telephone: (703) 665-7347

## **Currency**

The national currency is the Lao kip and the Lao government strongly encourages its use for transactions within Laos. Dollars and Thai baht are often accepted in major cities, and the Chinese Yuan is used in some areas near the Chinese border. ATMs are readily available in cities throughout the country.

## **Telecommunications/Electric**

Lao operates on a 230V/50Hz standard. Lao telecommunications infrastructure is developing quickly. Internet access and Wi-Fi are readily available in large population centers. Mobile phones are ubiquitous. There are four authorized enterprises providing fixed and mobile telecommunications services in Lao PDR, and fifth which holds a mobile license but currently only offers internet access. All of them have some share of government ownership:

[LTC, or Lao Telecommunication Co Ltd](#)

[ETL, or Enterprise des Telecommunications Lao](#)

[Unitel, or Star Telecommunication Company](#)

[Beeline](#)

SkyTel, or Sky Communications Lao Ltd

## **Transportation**

Laos has four international airports with new routes opening regularly:

1. Wattay International Airport in Vientiane with flights are available through Thai Airways, Bangkok Airway, Thai Air Asia, Air Asia Malaysia, Silk air, Singapore, Vietnam Airlines, Hainan Airways, China Eastern, Tway airlines from Korea, Jin Air from Korea, Lao airlines from Vientiane to Bangkok, Chiang Mai, Hanoi, Ho Chi Minh, Kuala Lumpur, Kunming, Phnom Penh, Siem Reap, Seoul, Singapore and Guangzhou.
2. Luang Prabang International Airport with regular flights are available to Vientiane, Chiang Mai, Bangkok, Hanoi, Siem Reap, and Jinghong on Lao airlines, Bangkok Airway, Thai Air Asia, Air Asia Malaysia, Silk air, Vietnam Airlines, Hainan Airways, Thai Smile.
3. Savannakhet International Airport has flights to Bangkok operated by Lao Airlines.
4. Pakse International Airport is a stopover point from Vientiane to PhnomPenh, Siem Reap, Ho Chi Minh and Bangkok. Lao Airlines flies daily from Pakse to Bangkok via Savannakhet.

In addition, there are several provincial airports, used only for domestic flights within the Lao PDR. As of 2017, state carrier Lao Airlines operates four Airbus A320 aircraft and is expanding direct service throughout the region. Several other international carriers also offer direct flights from China, Thailand, Vietnam, and Korea. Lao Airlines and Lao Skyway offer flights from Vientiane to most of the provincial capitals.

Businesspeople in Laos generally rely on their own personal vehicles or rent vehicles with drivers. Taxis are rare, though increasingly seen in Vientiane. Tuk-tuk vehicles for hire are common. Rental cars are available in Vientiane and other major cities. 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 passable. 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. Due to violent incidents occurring between November 2015 and March 2016, [the U.S. Department of State issued travel alerts](#) concerning roads connecting Vientiane and Luang Prabang, and for all of Xaysomboun Province.

## **Language**

Lao is the national language, though many other languages are spoken by the various ethnic groups that make up the Lao population. 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 low.

## **Health**

The quality of healthcare in Laos is extremely poor. For serious health issues when return to the United States is not possible, the Embassy generally advises travelers to seek medical attention in Thailand. For additional information regarding health issues, review the [Consular Information Sheet](#).

## **Local Time, Business Hours and Holidays**

The local time in Laos is GMT +7.

Typical business hours are 8:00am to 5:00pm.

Local holidays include International Women’s Day, Pii Mai (Lao New Year), International Labor Day, Lao National Day, and the That Luang Festival. In addition to those listed above, 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.

## **Temporary Entry of Materials or 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.

## **Travel Related Web Resources**

[Information for travelers](#)

[U.S. Embassy Laos](#)

[Lao Embassy to the United States](#)

[Country information for Laos](#)

[U.S. Visa Information](#)