



Doing Business in Laos:

2012 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Laos

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Market Overview

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- The Lao market economy has grown at a steady pace for the last two decades and is heading into a new phase of regional and global integration. Several watershed economic events are on the horizon for Laos, including accession to the World Trade Organization, and possible trade surpluses from exports of electricity and raw materials.
- Laos is one of five remaining communist countries in the world and this legacy continues to weigh on both governance and the economy. 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 very high degree of political 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 \$85 million per year. Vietnam, China and Thailand have dominant trade and investment roles in the Lao economy, with participation in certain sectors by Korea, France, Japan, Australia, Malaysia and Singapore. Bilateral trade between Laos and Thailand, its largest trading partner by far, totaled \$3.9 billion in 2010.
- Laos' GDP was \$7.9 billion in 2011, up 8.3 percent from the prior year. Laos has had consistently high economic growth rates over the last decade, averaging above 7 percent per year. Inflation also remains high at 7.5 percent in 2011.
- The Lao economy is based primarily on agriculture and natural resource extraction, with services and manufacturing making moderate yearly gains. In 2010, natural resources accounted for approximately 16 percent of GDP, services 40 percent, agriculture 30 percent, and manufacturing 14 percent. Most Lao manufacturing is small scale, with over 97 percent of manufacturers employing 10 or fewer workers.
- The Lao population was estimated at 6.38 million in 2011. 75 percent of the workforce is employed in agriculture, mostly in small scale farming. The Lao population is young, with more than half of the population under 20 years of age.

- Gross National Income per capita passed an important threshold in 2011, edging up to \$1010 and allowing Laos to graduate from low-income to lower-middle income status, according to the World Bank. However, income distribution is unevenly spread, and the country has a small middle class.
- Laos ran a trade deficit in 2011 of approximately \$1.03 billion. According to World Bank statistics, total imports were \$3.7 billion while total exports were \$2.7 billion. Laos imported \$26.1 million from the United States and exported \$58.9 million to the United States in 2011. Top U.S exports to Laos in the past include precious stones, machinery, metals and vehicles. Top U.S. imports from Laos have been garments, chemicals, plastics and precious stones.

Useful Web links:

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

U.S. Census Trade data: <http://www.census.gov/foreign-trade/statistics/country/>

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

Market Challenges

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- Commercial law and the commercial court system in Laos are developing slowly and are not transparent. Business disputes are rarely adjudicated in favor of the foreign investor. 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 opaque, and duties levied often do not comport with listed tariffs. Customs clearance speed is among the lowest in ASEAN at 44 days for export and 46 days to import goods.
- 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 not well developed in Laos, and employers frequently have a difficult time finding and retaining qualified employees. For skilled employees, the labor market offers frequent incentives to change employers.
- Laws and procedures are subject to change at short notice and without prior consultation with, or notification of, the private sector. This includes taxation law. Tax administration is cited as one of the largest barriers to commerce in Laos in a survey of small and medium enterprises.

- The World Bank's "Doing Business" project compares Laos with 180 other economies at: <http://www.doingbusiness.org/ExploreEconomies/?economyid=107>
- Corruption is a major problem for U.S. and other western businesses and seriously hampers the efficient operation of the Lao economy and society. Competitors from countries without the legal or moral sanctions against corrupt practices have a major advantage in securing government approvals and concessions. Frequent bribes and payoffs are an accepted part of Lao business culture.

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- Increases in disposable income and a slowly expanding middle class mean that the consumer and services sectors are likely to experience continued growth in the future.
- The power sector is open to foreign investment, with many international firms represented. Hydropower, coal, and transmission infrastructure will be the focus of increasing investment by the GOL as it develops its power industry.
- Laos has a very poorly developed infrastructure with virtually no rail, few decent roadways, and underdeveloped medical, water and sewage systems. The GOL is likely to make investments in these areas in coming years in keeping with its ambitious goal of graduating from Least Developed Country status by 2020.
- The minerals and mining sector is a major driver of growth in Laos. Commodities prices in recent years have favored Lao gold and copper producers. Other mineral resources include bauxite and potash.
- The Lao government has targeted tourism, especially ecotourism, as a major area of future growth. The government has designated 2012 as "Visit Laos Year".

Market Entry Strategy

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- American companies considering investments in Laos are advised to visit the country several times, as personal relationships are key to locating suitable Lao business partners and avoiding misunderstandings. Many foreign businesses take on a Lao partner or agent.
- There is currently no American Chamber of Commerce in Laos, although establishment of an AMCHAM is planned for 2012. Foreign businesses can also apply for membership in the Lao National Chamber of Commerce and Industry.
<http://www.lncci.laotel.com/>

- There are Chinese, French, Australian-New Zealand, Japanese, Vietnamese, Yunnan Chinese, Taiwanese Business Association, Indian, Korean and European Chambers of Commerce or business associations in Laos.

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Chapter 2: Political and Economic Environment

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

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

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Using an Agent or Distributor

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Employing a Lao agent or finding a Lao business partner is an efficient 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 in arranging government meetings.

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, Khammouane, Savannakhet and Champasack. Most import-export companies are ill-equipped to handle large-scale distribution. US firms looking for a distributor or an agent in a particular province should contact the provincial branch of the Lao National Chamber of Commerce (LNCC) at <http://www.laocci.com/> and the Trade and Investment Department of the respective province for assistance in identifying potential business partners.

Establishing an Office

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Foreign investors seeking to establish operations in Laos are required to obtain a foreign investment license, an enterprise registration certificate, and a tax registration certificate. Investors first submit project proposals to the One Stop Shop Unit in the Department of Investment Promotion (DIP) in the Ministry of Planning and Investment (MPI).

DIP screens 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) for adjudication. For further information see: <http://invest.laopdr.org/>;
http://www.investlaos.gov.la/show_encontent.php?contID=1;

In addition to the 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 (e.g., 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.

The GOL is supposed to respond to proposed new business investment within 15–45 working days. 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

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Franchising is a relatively untested business model in Laos and the country has no specific law regulating franchises. In March 2010, a team of Thai and Lao investors opened an international fast food franchise in Vientiane.

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Direct marketing in Laos has improved as the density of telecommunications coverage has increased to an estimated 70 in 100 households. Although the road network is improving, there is limited postal coverage. The literacy rate is officially estimated to be 78.51%.

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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 requires the foreign partner to contribute at least thirty percent of registered capital. Capital contributed in foreign currency must be converted into Kip based on the exchange rate of the Bank of the Lao People's Democratic Republic on the day of the capital contribution.

Foreign partners' equity may be foreign currency, plant and equipment, capital goods, technology, and/or skills and management. Lao partners (including the Lao government) may contribute money, land, water rights, natural resources, and/or capital goods. The value of the inputs and assets of each side are assessed at international market rates and converted into local currency at the prevailing exchange rate on the date of equity payment.

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

Selling to the Government

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The Lao Government is a leading consumer of goods and services, but procurement procedures are opaque. The national budget is heavily financed by Official Development Assistance (ODA), and donors commonly encourage government purchases from their home industries as part of the aid deal. Laos is not a party or an observer to the WTO Agreement on Government Procurement.

Most business opportunities involving Lao Government entities are associated with donors and their development projects. Contracts in support of these projects are often advertised for bid in the newspapers (Vientiane Times and KPL), <http://www.vientianetimes.org.la/> and <http://www.kplnet.net/>,

However these bidding events have not been verified as open and fair, as no American company has reported success through this channel. However, niche opportunities are known to exist for direct private sales to government entities with past examples in such areas as telecommunications and aviation.

Distribution and Sales Channels

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Generally, import-export wholesale companies import goods into Laos and sell goods to retailers. Goods may enter Laos by air, road, or (less formally) by river. There is just one active railroad in Laos, a short spur line from Nong Khai, in northeastern Thailand, that began operations in 2009.

The lack of a well-developed road system and basic infrastructure in many areas makes distribution outside of the main urban areas in Vientiane, Luang Prabang, Savannakhet, and Pakse difficult, time-consuming, and costly. Road improvements are ongoing, with several decent roads in the northern provinces and along the southern corridor connecting Thailand, Laos and Vietnam. However, Laos is still operating a mid-twentieth century distribution and logistics network, with large inventories on hand. Use of modern logistics techniques such as just-in time supply would likely be extremely difficult given the current state of the Lao infrastructure.

Selling Factors/Techniques

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American products generally enjoy a good reputation for technological sophistication and high quality in Laos. The consumer products of Laos' regional neighbors are far better known, however, and the Lao market can be difficult for American products due to their relatively high prices.

To compete successfully, some US firms have combined routine advertising with workshops, training programs, trade shows, and product launching events for wholesalers and distributors, as well as customers. The Thai and Lao languages are not identical but are very similar. 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.

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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. Broadband internet access is widely available in Vientiane. The GOL is currently working on e-commerce legislation and regulations with assistance from USAID funded programs.

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Advertising and trade promotion are important marketing tools for American products. Since nearly all Lao who own televisions watch Thai advertisements, a good reputation and strong advertising campaign in Thailand will likely have a positive effect on Lao consumers as well.

Many companies advertise in two Lao local newspapers, Vientiane Mai, a Lao language newspaper, and the Vientiane Times, an English language newspaper. A brief listing of major newspapers, business journals, radio, television stations and business advertising companies follows. All newspapers and television stations are state owned, and all communications are state controlled:

Major Newspapers:

Vientiane Times (English Language) <http://www.vientianetimes.org.la/>

Lao News Agency, KPL (English Language) <http://www.kplnet.net/>

Pasaxon (Lao Language) <http://www.pasaxon.org.la>

Vientiane Mai (Lao Language) <http://www.vientianemai.net>

Vientiane Thurakit Sangkhom (Lao Language) <http://www.vientianemai.net>

Target Business Magazine

Lao National Radio c/o Ministry of Information and Culture nationalradio@hotmail.com

Lao National Television 1 and 3 <http://www.lntv.gov.la/>

Lao Star Television <http://www.laostartv.com/>

Lao International Trade, Exhibition, and Conference Center (ITECC) <http://www.lao-itecc.la/>

Pricing

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Lao consumers are sensitive to price due to low disposable income. The Lao government continues to control the retail price of gas and diesel, as well as a number of other “sensitive” goods. As Laos moves towards WTO membership, price controls as well as unwieldy import restrictions should be sharply limited. Although the Government often discusses the need to control food prices, in practice markets set the price. A VAT came into force in January 2010 although it has yet to be fully implemented

Sales Service/Customer Support

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Customer support and service tend to be the province of large multinationals such as Toyota and Ford, which offer excellent in-country support. In general, attitudes towards customer service, especially at the retail level, are still in the developing stages. Availability of spare parts is limited and replacement/replenishment is slow.

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Protecting Your Intellectual Property in Laos

Several general principles are important for effective management of intellectual property (“IP”) rights in Laos. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Laos than in the U.S. Third, rights must be registered and enforced in Laos, under local laws. Your U.S. trademark and patent registrations will not protect you in Laos. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Lao market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Laos. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Lao law. The U.S. Commercial Service can provide a list of local lawyers upon request. <http://laos.usembassy.gov/attorneys.html>

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A

good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Laos require constant attention. Work with legal counsel familiar with Lao laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Lao and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and?? . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Laos at:
<http://export.gov/thailand/doingbusinessinthailand/doingbusinessinlaos/index.asp>

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

Local Professional Services

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

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

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Lao National Chamber of Commerce and Industry (LNCCI): <http://www.Incci.laotel.com/>

The Ministry of Science and Technology:

http://www.laopdr.gov.la/ePortal/nbocompany/listdivisions.action?contentType=4&contentGroupId=11565&organizationContentId=18065&subType=100&request_locale=en_US

Lao Bar Association: <http://www.laobar.org/welcome.php>

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Tourism Infrastructure and Resorts

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The tourism industry in Laos is developing rapidly, with particular emphasis on eco-tourism. The major tourist destination is the world heritage site and ancient capital of Luang Prabang.

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The government is promoting Laos as a tourist destination through the program “Lao Visit 2012”. Eco-tourism featuring the undeveloped Lao countryside is gaining in popularity.

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American companies with expertise in tourism and tourism infrastructure may find opportunities in Laos.

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Information on Luang Prabang: <http://whc.unesco.org/en/list/479>

Lao Ministry of Information, Culture and Tourism:
<http://www.ecotourismlaos.com/worldheritagesites.htm>

Architecture, Construction and Engineering Services

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Laos has a severely underdeveloped infrastructure, including its road networks, and its public water and electricity systems. Transportation projects will be high demand as the country modernizes. There are also several large construction projects ongoing in the capital of Vientiane, including office buildings and shopping malls.

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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 supplying Thailand and Vietnam with electricity exports, 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.

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Construction projects in the hydropower sector and electrical distribution network, engineering services related to infrastructure development and commercial construction in Vientiane are possible opportunities for U.S. firms.

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World Bank:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/LAOPRDEXTN/0,,menuPK:293689~pagePK:141159~piPK:141110~theSitePK:293684,00.html>

Asian Development Bank:

<http://beta.adb.org/countries/lao-pdr/main>

Pharmaceuticals, Medical Supplies and Medical Equipment

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The health care system in Laos is very basic 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.

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Refurbished medical equipment and low-cost pharmaceuticals.

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U.S. medical products have not yet gained wide use in Laos.

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Import Tariffs

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The Lao import tax system aims to promote importation of inputs for investment and production while protecting domestic production and limiting luxury imports. Foreign investors do not pay import duty on imports of capital machinery and equipment for production, or on spare parts.

Raw materials and intermediate goods needed for export production are also exempt. Raw materials and intermediate goods imported for import substituting industries can be accorded special treatment based on an incentive agreement.

There are standard ASEAN import tariff rates varying from 0 percent, 20 percent and 40percent, excluding non-ASEAN countries and according to Tariff Nomenclature of Lao PDR based on ASEAN Harmonized Tariff Nomenclature (AHTN 2007/1). These published rates are levied by the Customs Department.

Importers may face turnover as well as excise taxes. Excise ranges from 5-90% on many goods. The Lao government began to introduce a Value Added Tax (VAT) to replace turnover taxes in January 2010, with business turnover tax set at 10%. Additional tariff, excise tax, and turnover tax information can be found at: Tax Department, Ministry of Finance, <http://www.mof.gov.la/?q=en/node/989>

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The Lao Government has simplified its tariff structure and is gradually amending nontariff barriers. There are reports that Lao customs officials continue to charge arbitrary tariffs on some imported goods. The Bilateral Trade Agreement with the United States lowers tariffs on a range of American products and offers importers the ability to appeal tariff decisions they feel are improper.

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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; and 5) a customs clearance report. Importers of raw materials for re-export are required to have the same documents as other importers, except for a contract and import license.

The Lao military controls and profits from an unpublicized quota system in which automobile quotas are sold to private sector entrepreneurs who pass those costs on to consumers. Automobile importers, individuals or companies, unless they have obtained duty free status, must pay an import tax, turnover tax, excise tax, and additional tax for luxury goods to the government based on the tariff rates.

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

To import or export pharmaceuticals, food, or chemical products, in addition to the aforementioned documents, the importer must obtain a license from the Food and Drug Control Import Division of the Food and Drug Department of the Ministry of Public Health. For more information please contact Food and Drug Control Division, Food and Drug Control Department of the Ministry of Health; drug@laotel.com Pre-shipment inspection is required for exported goods in accordance with the requirements of the destination country. Laos has no special labeling or marking requirements.

U.S. Export Controls

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

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Products imported for the purposes of processing, assembly into finished products, or for exhibition and subsequent re-export, are exempt from duty. Trans-shipment of goods

through Laos requires the same documents normally needed for import and export. Goods traveling through Laos are not subject to import or export taxes.

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Laos has no laws governing product labeling and marking.

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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 2151/MOIC.

For more information, please contact the Department of Import and Export Management: <http://www.moc.gov.la/default.asp>

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http://laocustoms.laopdr.net/laws_and_regulations.htm

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

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Laos currently has no standards organizations.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers

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Conformity Assessment

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Laos currently has no conformity assessment.

Product Certification

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Laos currently has no product certification.

Accreditation

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Laos currently has no accreditation.

Publication of Technical Regulations

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Laos currently does not publish technical regulations.

Labeling and Marking

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According to regulation 027/CFDC, all foodstuffs imported into Laos for consumer use must be labeled in accordance with Food and Drug Control Department requirements. In practice, this requirement does not appear to be enforced.

Trade Agreements

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Laos became a member of ASEAN in 1997 and has committed to bringing its tariff rates into line with its AFTA commitments. Laos is currently in the last round of negotiations to join the World Trade Organization. The following countries have granted Generalized System of Preference (GSP) status to Laos: Canada, Japan; Australia (no import tax); European Union; South Korea; Norway and Switzerland. Laos has also signed trade agreements with 15 countries, including: Vietnam; China; Cambodia; Burma; Thailand; North Korea; Mongolia; Malaysia; Russia; India; Belarus; Argentina; the United States; Kuwait and Turkey. The Argentina and Turkey trade agreements are not active yet.

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<http://www.nist.gov/notifyus/>

http://laocustoms.laopdr.net/laws_and_regulations.htm

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

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Lao PDR is one of the ten fastest-growing economies in the world. Foreign investment has been increasing over the last several years and continues to flow to mining, hydropower, and agriculture. Vietnam, China, and Thailand are the largest sources of foreign investment, with each investing about \$2.5 billion in Laos from 2000 to 2010.

According to the 7th National Socio-Economic Development Plan, which covers the period from 2011 to 2015, Laos seeks to continue an annual economic growth rate in the neighborhood of 8%. To accomplish this, the government of Laos estimates that it needs approximately \$15 billion of total investment in the next five years, \$7 to \$8 billion of which it plans to source from foreign and domestic private investment. The plan directs formulation of “policies that would attract investments in addition to attracting Overseas Development Assistance; begin to implement public investment and investment promotion laws; and increase cooperation with friendly countries and international organizations.”

Laos is likely to accede to the World Trade Organization (WTO) within the next two years and has committed to joining the ASEAN Economic Community in 2015. Both of these processes require considerable trade and regulatory reforms, which should make the investment climate more attractive to American enterprises. Additionally, WTO and AEC requirements reinforce fuller implementation of the conditions of the 2005 U.S.-

Laos Bilateral Trade Agreement.

Laos, while politically very stable, remains a poorly regulated economy with limited rule of law. The government of Laos (GOL) has taken steps to embrace a more transparent economic and regulatory framework, but business transactions and investments are still carried out in an opaque manner. Additionally, Laos struggles with corruption, patronage and a weak legal system.

The GOL is open to foreign investment as a matter of policy and allows 100% foreign ownership of enterprises. The 2009 Law on Investment Promotion governs foreign investment in Laos. Under this law, foreign and domestic investors are supposed to be given equal treatment and incentives, although in practice this is not uniformly the case. Foreigners may invest in any sector or business except those that the government deems to be detrimental to national security, health or national traditions, or to have a negative impact on the natural environment.

Companies involved in large FDI projects, especially in mining and hydropower, often either find it advantageous or are required to give the government partial ownership, frequently with money borrowed from the investor or multilateral institutions.

The term of a foreign investment depends on the nature, size, and conditions of the business project but normally cannot exceed ninety-nine years, according to Article 28 of the Law on Investment Promotion. Under special circumstances, shorter-term foreign investments may be extended with the approval of the government but still may not exceed a total term of ninety-nine years.

The Lao Securities Exchange opened in 2011 with two stocks listed. In January 2012, the Lao Securities and Exchange Commission announced that it was increasing the percentage of shares that foreign investors can hold in publicly listed companies from 10% to 20%.

Foreign investors seeking to establish operations in Laos are required to obtain a foreign investment license, an enterprise registration certificate, and a tax registration certificate. Investors first submit project proposals to the One Stop Shop Unit in the Department of Investment Promotion (DIP) in the Ministry of Planning and Investment (MPI). DIP screens 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) for adjudication.

Under the 2009 amended Law on Investment Promotion and Prime Ministerial Decree No. 119/PM issued in 2011, there are three investment categories: 1. General Business; 2. Concession Business; and 3. Activities for Development of Special Economic Zones and Specific Economic Zones.

General Business investments include controlled businesses, defined as those businesses which affect national security, public order, national traditions and culture, and the environment. These activities are subject to increased scrutiny prior to enterprise registration. Goods prohibited for import and export range from explosives and weapons, to literature that presents a negative view of the Lao government, to certain forestry products and wildlife. Inclusion on the list of controlled businesses is not a prohibition on investing in those areas.

Concession Businesses are those in which the GOL retains some ownership rights. Concessions are commonly used for investments in land, minerals, electric power, airlines, telecommunication, and insurance and financial institutions. 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.

Foreign partners in a joint venture must contribute at least thirty percent (30%) of the venture's registered capital. Capital contributed in foreign currency must be converted into kip based on the exchange rate of the Bank of the Lao People's Democratic Republic on the day of the capital contribution. Wholly foreign-owned companies may be either a new company or a branch of an existing foreign enterprise. Throughout the period of operation of a foreign investment enterprise, the assets of the enterprise must not be less than its registered capital.

Under the 2005 Prime Ministerial Decree No 301, projects worth \$20 million or more require the approval of the Prime Minister. The Minister of Planning and Investment can approve projects below \$20 million while the Vice Minister of Planning and Investment can approve enterprises of less than \$10 million. FDI equal to or less than \$3 million can be approved at the provincial level by all provinces, and in four of the larger provinces - Vientiane Capital, Savannakhet, Champasack, and Luang Prabang - the ceiling for approval is \$5 million.

In addition to the 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 (e.g., 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.

Individual companies in the petrochemical industry are required to file an annual import plan. The government controls the retail price and profit margins of gasoline and diesel. Government documents articulating the restrictions and explaining the policy are difficult to obtain.

Agriculture production and most manufacturing production are private. State-owned enterprises (SOEs) currently account for only one percent of total employment. Over 90% of manufacturers have fewer than 10 employees. Foreign companies interested in acquiring ownership in SOEs apply through the DIP. Equity in medium and large-sized SOEs can be obtained through a joint venture with the Lao government.

The GOL is supposed to respond to proposed new business investment within 15–45 working days. 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.

Lao law provides for sanctity of contracts, but in practice contracts are subject to political interference and patronage. A contract can be voided if it is disadvantageous to one party, or if it conflicts with state or public interests. Foreign businessmen have described

contracts in Laos as being considered “a framework for negotiation” rather than a binding agreement. Although a commercial court system exists, in practice most judges adjudicating commercial disputes have little training in commercial law. Those considering doing business in Laos are strongly urged to contact a reputable law firm for additional advice on contracts.

Expropriation and Compensation

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Foreign assets and investments in Laos are protected by laws and regulations against seizure, confiscation, or nationalization except when deemed necessary for a public purpose, in which case foreign investors are supposed to be compensated. Revocation of an investment license cannot be appealed to an independent body, and companies whose licenses are revoked must then quickly liquidate their assets.

Dispute Settlement

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According to the Law on Investment Promotion, investors should resolve disputes in the following order: mediation; administrative dispute resolution; dispute resolution by the Committee for Economic Dispute Resolution; and finally, litigation. However, due to the poor state of the Lao legal system and low capacity of most Lao legal administrators, foreign investors are generally advised to seek arbitration outside the country.

Laos is not a member of the International Center for the Settlement of Investment Disputes. It became a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards on September 15, 1998, but Laos has never been asked to enforce a foreign arbitral award. Laos is a member of the United Nations Convention on International Trade Law.

In disputes involving the Ministry of Planning and Investment, decisions can only be appealed back to the ministry itself. There is no separate independent body. Thus a company which feels it is receiving unfair treatment from the government has no independent recourse. Lao laws often contradict each other and lack implementing regulations. Some laws have been officially translated into English, including the business, tax, bankruptcy, customs, and secured transaction laws. The reliability of unofficial translations varies considerably. Application of Lao law remains inconsistent and knowledge of the laws themselves is often limited (especially outside the capital). The existence of a large number of government decrees, sometimes unpublished, further complicates the situation.

A commercial court does exist in Laos. Laos has no anti-trust statutes. The bankruptcy law permits either the business or creditor the right to petition the court for a bankruptcy judgment, and allows businesses the right to request mediation. There is no record of foreign-owned enterprises, whether as debtors or as creditors, petitioning the courts for a bankruptcy judgment.

Laos does not impose performance requirements but foreign investors are encouraged to give priority to Lao citizens in recruiting and hiring. Foreign personnel can be hired, although they may not normally exceed 10% of the enterprise's total labor force, with exceptions for skilled labor or politically important projects. Before bringing in foreign labor, foreign enterprises must apply for work permits from the Ministry of Labor and Social Welfare. A list of foreign personnel must also be submitted to MPI.

Laos grants incentives for foreign investment depending on industry sectors and activities promoted by the government, and the level of infrastructure and socio-economic development in specific geographic zones. Under Articles 49, 50 and 51 of the Law on Investment Promotion, the government defines agriculture, industry, handicraft and services as promoted activities.

Investment promotion is divided into 3 levels: Level 1 - high, Level 2 - medium and Level 3- low. Additionally, the country is divided into three promotion zones. Zone 1 is defined as areas lacking in socio-economic infrastructure – primarily mountainous and remote areas – and is assigned a high level of investment promotion. Zone 2 applies to areas with socio-economic infrastructure that is partially able to facilitate investments and is given medium priority. Zone 3 has infrastructure available to support investments and is assigned a low level of investment promotion.

In Zone 1, Level 1 investments receive profit tax exemptions for 10 years, Level 2 investments for 6 years and Level 3 investments for 4 years.

In Zone 2, Level 1 investments receive profit tax exemptions for 6 years, Level 2 investments for 4 years and Level 3 investments for 2 years.

In Zone 3, Level 1 investments receive profit tax exemptions for 4 years, Level 2 investments for two years and Level 3 investments for 1 year. Profit tax exemptions in all zones start from the date the enterprise commences operations.

Incentives related to customs duties, access to finance, and other taxes are described in Articles 52, 53 and 54 of the Law on Investment Promotion. As of 2011, foreign investors and workers must pay an income tax of 24% to the Lao Government, unless they are citizens of a country with which the Lao Government has signed a double-taxation agreement. Previously, this rate was 10%. The United States does not have a double-taxation agreement with Laos.

Article 67 of the Law on Investment Promotion stipulates that foreign investors and their families, including foreign professionals and foreign employees of an enterprise, may obtain multiple entry visas with a maximum term of five years. The government routinely approves long-term residence in the Lao PDR for foreign investors.

The government began replacing the turnover tax with a Value Added Tax (VAT) in 2010. Foreign investors are not required to pay import duty on equipment, spare parts and other materials used in the operation of their enterprises. Raw materials and intermediate goods imported for the purpose of processing and re-export are also exempt from import duties. Raw materials and intermediate goods imported for the purpose of import substitution are eligible for import duty reductions on a case-by-case

basis. Foreign enterprises are also eligible for profit tax and import duty reductions or exemptions on an individual basis, if the investment is determined by the GOL to benefit Laos' socio-economic development. To date the Lao Government appears to have honored its incentives. Annual business license renewal is contingent upon certification that corporate income taxes have been paid. Investors report difficulties in obtaining tax certifications in a timely manner.

Right to Private Ownership and Establishment

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The GOL recognizes the right of private ownership, and foreigners may transfer shares of a foreign-invested company without prior government approval. However, the business law requires that all shareholders be listed in the articles of association, and changes in the articles of association of a foreign-invested company must be approved by DIP. Thus, transferring shares in a foreign-invested company registered in Laos does require the indirect approval of the government.

Protection of Property Rights

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Foreign investors are not permitted to own land in fee-simple. However, Article 58 of the Law on Investment Promotion stipulates that foreign investors with registered investment capital of \$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 GOL 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 GOL is engaged in a land parceling and titling project through the Ministry of Natural Resources and Environment, it remains difficult to determine if a piece of property is encumbered in Laos. Enforcement of mortgages is complicated by the legal protection given mortgagees against forfeiture of their sole place of residence.

A government reorganization in 2011 created the Ministry of Science and Technology, which controls the issuance of patents, copyrights and trademarks. Laos is a member of the ASEAN Common Filing System on patents but lacks qualified patent examiners. Since Thailand and Laos have a bilateral Intellectual Property Rights (IPR) agreement, in principle a patent issued in Thailand would also be recognized in Laos. Copyright protection in Laos is weak. There is no system to issue copyrights in Laos, only a certification of copyright information. Laos is a member of the World Intellectual Property Organization (WIPO) Convention and the Paris Convention on the Protection of Industrial Property but has not yet joined the Bern Convention on Copyrights.

Laos passed an Intellectual Property Law in January 2008. In 2011 the National Assembly passed a comprehensive revision of the law which brings it into compliance with WIPO and Trade-Related Aspects of Intellectual Property standards (TRIPS). However, weak enforcement capacity means that there is currently little protection for intellectual property rights in Laos.

Transparency of Regulatory System

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Principal laws, regulations, decrees and guidelines governing international trade and investment are available to the public, although not all have been officially translated into English. Laws and their schedules for implementation are customarily published in Lao daily newspapers, and relevant line ministries are beginning to put laws and regulations on websites. The National Assembly includes a step for public consultations in the legislative process prior to sending laws to the Prime Minister for consideration.

However, a highly centralized decision-making process, combined with difficulties in obtaining information, can make the regulatory system appear arbitrary and inscrutable. The government purports to seek the advice of the business community through the Lao Business Forum.

Efficient Capital Markets and Portfolio Investment

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Laos does not have a developed capital market. Three-month treasury bills are occasionally offered for sale when there is a need to absorb excess liquidity in the economy. The largest denomination of currency is 100,000 kip (about US\$12.5). Credit is not available on the local market for large capital investments, although letters of credit for export can sometimes be obtained locally.

The banking system is under the supervision of the Bank of Lao PDR, and includes 28 banks with assets of approximately \$575 million. Private foreign banks can establish branches in all provinces of Laos. The Bank of the Lao PDR functions as the central bank, but its supervision of the financial sector remains weak. Technical assistance to Laos' financial sector has led to some reforms but overall capacity within the governance structure is poor. The Lao Securities Exchange began operations in 2011 with two stocks listed, both of them state-owned – the Banque Pour l'Commerce Exterieur, and electrical utility Electricity du Laos.

Competition from State Owned Enterprises

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The GOL maintains ownership stakes in key sectors of the economy such as telecommunications, energy, finance, and mining. Where state interests conflict with private ownership, the state is in a position of advantage. In 2011, under the auspices of the Ministry of Post and Telecommunications, four large telecoms with high state ownership stakes cut service to a foreign-owned telecom in retaliation for alleged marketing violations.

Corporate Social Responsibility

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Corporate Social Responsibility is not yet well understood and recognized by Lao producers and consumers. However, almost any activity, commercial or otherwise, takes place in the context of an underdeveloped economy and is thus viewed favorably if it contributes to the achievement of national development goals.

Political Violence

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Laos is a peaceful and politically stable country. The risk of political violence directed at foreign enterprises or businesspersons is low. Please see:

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

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:

<http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Laos is not a party to the OECD Convention on Combating Bribery.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Laos is a party to the UN Convention Against Corruption.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now

require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Laos does not have a free trade agreement (FTA) in place with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Commerce, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption is a serious problem in Laos. The GOL has developed several anti-corruption laws but enforcement remains weak, with no high-profile cases ever having been brought to trial. According to the State Inspection Authority, the Lao Government

has prosecuted some individuals for corruption but it cannot publicize the information. In September 2009, Laos ratified the United Nations Convention Against Corruption.

The State Inspection Authority, located in the Prime Minister's Office, is charged with analyzing corruption at the national level and serves as a central office for gathering details and evidence of suspected corruption. Additionally, the State Inspection Department in each Ministry is responsible for combating internal ministry corruption. Laos is not a signatory to the OECD Convention on Combating Bribery. Both giving and accepting bribes are criminal acts punishable by fine and/or imprisonment. Foreign businesses frequently cite corruption as an obstacle to operating in Laos. Officials commonly accept bribes for the purpose of approving or expediting applications.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr> .
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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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 U.S. and the Government of Laos. Laos and the United States do not have a bilateral taxation treaty.

OPIC and Other Investment Insurance Programs

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The United States and Laos signed an Overseas Private Investment Cooperation (OPIC) agreement in March 1996. OPIC does not have any projects ongoing in Laos but the potential exists in the Lao economy for OPIC involvement. In 1998 Laos signed an agreement with the Multilateral Investment Guarantee Agency (MIGA). The Lao kip is not an internationally traded currency and fluctuated in a narrow range against the U.S. dollar in 2011.

Labor

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75% of Laos 'work force of 3.7 million is engaged in subsistence agriculture. The Lao government estimated the total non-agricultural work force in 2010 to be 923,000 people.

The 1994 labor law provides for the formation of trade unions; specifies working hours and compensation standards; allows for maternity leave and benefits; workers' compensation and retirement benefits; and establishes procedures for labor dispute resolution. In January 2012, the Lao government raised the minimum wage for unskilled workers to \$78 per month based on a six-day, eight hour per day work week.

Labor unions can be formed in private enterprises, but they must operate within the framework of the Lao Federation of Trade Unions (LFTU), which is controlled by the Lao People's Revolutionary Party. Strikes are not prohibited by law, but a government ban on subversive activities or destabilizing demonstrations makes them unlikely.

Laos has human resource deficiencies in virtually all sectors. English is not widely spoken. In 2010, about 18 percent of the population age 15 and above remained illiterate. The shortage of skilled labor is particularly acute in high-tech sectors. The country has a few technical colleges, one scientific research facility-- the National Institute of Hygiene and Epidemiology--and almost no effective post-graduate degree programs.

The Lao Government has dedicated few of its own resources to improve the country's education system and tends to rely heavily on international donors for support; there are a few state training programs and some foreign funded programs. Potential investors should note the need to dedicate substantial resources, both human and capital, to train employees. It is not unusual for foreign investors to bring in Thai managers due to a lack of skilled local personnel.

Foreign-Trade Zones/Free Ports

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The Foreign Investment Law allows for the establishment of Special Economic Zones (SEZ) and Specific Economic Zones as an investment incentive. Prime Ministerial Decree 443 on Special Economic Zones and Specific Economic Zones was issued in 2010 and provides guidance on the establishment of the zones. Special Economic Zones have a higher level of independence and incentives than Specific Economic Zones. Laos plans to construct 25 special and specific zones in the next ten years via foreign direct investment of US\$3 billion.

The Savan-Seno Special Economic Zone in Savannakhet province borders both Vietnam and Thailand. It appears to be legitimately developing as a production, supply and distribution center. Other SEZ's in the northern part of the country have experienced problems associated with casino gambling, prostitution and drug trafficking.

Lao laws pertaining to trade are supposedly applied uniformly across the entire customs territory of Laos, including all sub-central authorities, special economic zones and border trade regions. In reality, however, customs practices vary widely at ports of entry in the provinces. The recent centralization of customs collection with the central government could lead to more uniform practices and increase the flow of customs revenue to the central government by an estimated fifty to seventy percent. Laos continues centralizing its customs regime to comply with National Single Window requirements under the ASEAN Single Window 2012.

Foreign Direct Investment Statistics

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GOL investment figures overstate actual investment, as they include all approved projects regardless of whether the investment actually takes place. Both the World Bank and the IMF have lower estimates than GOL figures.

Foreign investment figures fluctuate widely from year to year due to the prevalence of large-scale investments in the hydropower and mining sectors. Foreign investment comes primarily from Vietnam, China, and Thailand. Korea, France, Japan, India, Australia, Malaysia and Singapore are also major investors.

Foreign Direct Investment Year by Year Millions USD– (Source: World Bank)

2006	2007	2008	2009	2010	2011
502	838	976	796	724	1,027

Direct Investment Licensed in Laos by Country of Origin - Year 2000 through September 2011 (Source: DIP):

Rank	Country	Number of Projects	Capital
1	Laos	1,734	3,850,783,986
1	Vietnam	392	3,207,417,350
2	China	644	2,949,179,978
3	Thailand	392	2,842,748,369
4	Korean South	182	532,245,666
5	France	119	474,898,063
6	Norway	3	357,365,000
7	India	11	355,645,602
8	Japan	59	349,678,641
9	Australia	50	321,958,693
10	Malaysia	64	130,657,226
11	Singapore	46	87,946,860
12	United States	50	77,950,084
13	United Kingdom	33	67,388,795
14	Russia	12	53,957,310
15	Switzerland	11	46,559,250

16	Canada	21	40,719,897
17	Angola	1	37,500,000
18	Hong Kong	20	28,632,922
19	Sweden	8	23,183,338
20	Taiwan	24	19,181,504
21	Korea North	1	12,800,000

Foreign Investment Licensed in Lao PDR by Sector, from 2000 through September 2011, in US Dollars. (Source: DIP)

Ranks	Sector	No. of Projects	Capital
1	Electricity	25	4,575,270,341
2	Mining	230	3,655,214,097
3	Agriculture	785	2,254,468,051
4	Service	543	1,929,769,073
5	Industry & Handicraft	695	1,497,678,158
6	Construction	102	633,300,709
7	Hotel and Restaurant	229	463,315,548
8	Wood Industry	175	225,401,879
9	Trading	207	222,021,160
10	Banking	18	203,983,275
11	Telecom	11	129,938,595
12	Public Health	11	62,647,906
13	Consultancies	90	39,394,920
14	Garment	37	35,516,974
15	Education	60	22,981,961
Total		3,218	15,950,902,648

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

World Bank: <http://www.worldbank.org>

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

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

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

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

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

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

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

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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How Do I Get Paid (Methods of Payment)

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

How Does the Banking System Operate

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The Lao banking sector is evolving, with new private and foreign banks opening to provide modern banking options to Lao and foreign businesses. Laos does not have a national deposit insurance system and supervisory standards are low. Technical expertise and the range of services offered at domestic banks are limited. While continuing to receive outside assistance, central bank supervision of the sector remains somewhat weak.

Although non-performing loans have decreased significantly since 2003, through workouts, write-offs, and transfers off balance sheets, the three state-owned commercial banks (SCBs) remain, according to IMF estimates, insolvent. For detailed information see the IMF Article IV report: <http://www.imf.org/external/pubs/ft/scr/2008/cr08350.pdf>

Foreign-Exchange Controls

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

A holder of foreign exchange who needs to make payments within the Lao PDR can exchange for Kip at a commercial bank or at a foreign exchange bureau licensed by the Bank of the Lao PDR. Those who need to use foreign exchange for any of the objectives

stipulated in Lao law, such as payment for imported goods, may purchase foreign exchange at a commercial bank or a foreign exchange bureau in accordance with the regulations of the Bank of the Lao PDR.

In order to facilitate business transactions, foreign investors generally open commercial bank accounts in both local and foreign convertible currency at domestic and foreign banks in Laos. Australian, Vietnamese, Thai, Cambodian, 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 currency inflows in recent years, however, have reportedly solved this problem and large multinationals in Laos report no problems with access to foreign exchange. Foreign enterprises must report on their performance annually and submit annual financial statements to the Ministry of Planning and Investment (MPI).

U.S. Banks and Local Correspondent Banks

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

- JP Morgan Chase Bank, New York
- Citibank, New York
- Wells Fargo Bank, New York
- Standard Chartered Bank, New York
- Standard Chartered Bank, London
- Credit Suisse First Boston, Zurich
- Bank of Tokyo-Mitsubishi UFJ, Ltd, Tokyo
- Natixis , Singapore
- Standard Chartered Bank, Singapore
- Bank for Foreign Trade of Vietnam, Hanoi
- TMB, Bank Public Co, Ltd, Bangkok
- CIMB Public Co. Ltd. Bangkok
- Calyon, Bangkok
- Sumitomo Mitsui Banking Corporation, Tokyo

Project Financing

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

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

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

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

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

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

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

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

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Business Customs

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

Travel Advisory

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Information on travel to and within Laos may be obtained from the consular information sheet on Laos available from the U.S. Department of State:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

Visa Requirements

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U.S. visitors must have both a passport and visa to enter Laos; your passport must also have at least six months validity remaining. Visa on arrival in Laos is available for tourists who have two passport-size photographs and pay \$35 at the following ports of entry: Wattay Airport, Vientiane; Pakse, Savannakhet, and Luang Prabang Airports; Friendship Bridge, Vientiane and Savannakhet; Nam Heuang Friendship Bridge, Sayabouly Province; and border crossings at Boten-Mohan, Dansavan-Lao Bao, Houaysay-Chiang Khong, Thakhek-Nakhon Phanom, Nong Haet-Nam Kan, Nam Phao-Kao Cheo, Veun Kham-Dong Calor and Vangtao-Chong Mek.

Visa on arrival is also available at the Tha Naleng train station in Vientiane, which connects to the train station in Nongkhai, Thailand. With a visa obtained from a Lao embassy or consulate prior to your travel to Laos, travelers may also enter at the following international entry points: Napao-Chalo, Taichang-Sophoun, Pakxan-Bungkan, and Xiengkok.

Length of stay in Laos is generally for 30 days after arrival. Persons born in Laos may be admitted for 60 days or longer. 30-day tourist visas can be extended up to an additional 60 days for a fee of \$2 per day through the Department of Immigration in Vientiane. Overstay of visas in Laos, is punishable by arrest and fines of \$10 for each day of overstay. The Lao government calculates visa fees and fines in U.S. dollars. Thai baht and Lao kip may sometimes be accepted for the fees but at unfavorable exchange rates. Additional information is available from the [Lao National Tourism Administration](#).

For visas in advance of travel, please contact a Lao embassy or consulate. In the United States, visa and other information about Lao entry requirements is available from the [Embassy of the Lao People's Democratic Republic](#), 2222 S St. NW, Washington DC 20008, tel: 202-332-6416, fax: 202-332-4923. Travelers entering Laos with a visitor visa issued at a Lao embassy abroad will be allowed to stay in Laos for 60 days.

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 the traveler 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 arrival, business visas can generally be extended for one month.

Do not attempt to enter Laos without valid travel documents or outside of official ports of entry. It is unwise to cross the border between Laos and Thailand along the Mekong River except at official immigration check crossings. Attempts to enter Laos outside of official ports of entry may result in arrest, detention, fines, and deportation. Immigration offices at some of the less-used land border crossing points are not well marked.

At Wattay Airport (Vientiane), Pakse Airport, Savannakhet Airport, and the Luang Prabang Airport, there is an international airport departure tax of US\$10. This tax may be included in the price of the airline ticket, depending on the carrier. There is also a 5,000 kip (equivalent to approximately U.S. 60 cents) departure tax for domestic flights, which may be included in the price of the airline ticket, depending on the carrier. At the Friendship Bridge (Vientiane, Laos - Nong Khai, Thailand border crossing) there is an overtime fee after 4:00 pm weekdays and during weekends. [Visit the Embassy of Laos](#) web site for the most current information

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

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

<http://laos.usembassy.gov/non-immigrant-visas.html>

Telecommunications

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The Lao telecommunications infrastructure is developing quickly. Total telephone density is currently 70/100 (these are primarily cell phones), although in towns the number is much higher. There are five authorized enterprises providing fixed and mobile telecommunications services in Lao PDR. All of them have some share of government ownership:

Lao Telecommunication Co Ltd http://www.laotel.com/home_Eng.html

Enterprise des Telecommunications Lao <http://www.etllao.com/index.php>

Star Telecommunication Company <http://unitel.com.la/>

Beeline <http://beeline.la/index.php/en/about-beeline>

Sky Communications Lao Ltd

There are six public internet service providers; ETL Internet; Lao Telecom; Sky Telecom; KPL; Planet and Beeline.

Transportation

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Laos has three international airports; Wattay International Airport in Vientiane, Luang Prabang International Airport, and Pakse International Airport. Wattay has service to and from Thailand, Vietnam, China (Kunming), Singapore, and Cambodia. Lao Airlines purchased two new Airbus A320 aircraft, its first jet airliners, in 2011, and is seeking to expand service to Japan, Korea and other points in China.

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

Road conditions vary greatly throughout the country and mudslides are a concern in mountainous areas during the rainy season. However, major transportation arteries such as Route 13 running north to south and Route 9 running east to west are generally 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. For current conditions, please check http://travel.state.gov/travel/cis_pa_tw/cis/cis_946.html

Language

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

Health

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

Local Time, Business Hours, and Holidays

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Lao and U.S. Embassy Holidays in 2012:

January 2	Monday	International New Year
January 16	Monday	Martin Luther King, Jr. Birthday
February 20	Monday	President's Day
March 8	Thursday	International Women's Day
April 13	Friday	Lao New Year
April 16	Monday	Lao New Year
April 17	Tuesday	Lao New Year
May 1	Tuesday	Lao Labor Day
May 28	Monday	Memorial Day
July 4	Wednesday	Independence Day
September 3	Monday	Labor Day
October 8	Monday	Columbus Day
October 31	Wednesday	Boat Racing Festival
November 12	Monday	Veterans' Day
November 22	Thursday	Thanksgiving
November 28	Wednesday	That Luang festival
December 3	Monday	Lao National Day
December 25	Tuesday	Christmas Day

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.

Business Hours

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

Temporary Entry of Materials and Personal Belongings

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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.

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

Lao Embassy in Washington, DC: <http://www.laoembassy.com>

Lao Visa Information: <http://travel.state.gov/visa/index.html>

U.S. Visa Information: <http://unitedstatesvisas.gov>

U.S. State Department Travel Advisory:

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

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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Market Research

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

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

Trade Events

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

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: <http://www.export.gov>

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://www.export.gov/thailand>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

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

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