



## LAOS

### What's happening in this economy

For the past decade Laos has been one of the fastest growing economies in the East Asia and Pacific region with an average annual growth rate of 7.7 per cent. Growth has been driven by the natural resources sector, and in particular hydropower, mining and forestry.

Laos is focused on diversifying its economy and promoting investment opportunities in areas such as agriculture, manufacturing, services (including tourism) and clean energy. A series of special economic zones have been established across the country, which offer a range of incentives for foreign investors. To transition from a land-locked to a land-linked country, Laos is focusing on developing infrastructure, improving regional connectivity, and promoting integration with other ASEAN economies. The Laos China railway, expected to be operational by December 2021, will provide new opportunities for business.

Despite impressive growth rates, the business and investment environment in Laos remains challenging. In 2018 Laos' ranking in the World Bank's Ease-of-Doing Business Index dropped from 141 to 154 out of 190 economies. Constraints include a complex and opaque business environment, and high costs of doing business, including poor transport and logistics services, tax rates and access to land. The Lao government has committed to reducing Laos' ranking to double digits by 2020. While a challenging target, Australia is supporting the government's economic reform agenda, including through our development cooperation.

Australia's development cooperation with Laos was valued at AUD 43.8 million in 2018–19. Strategic objectives for Australian aid cover education, human resource development, and trade and private sector development.

### Trade, investment, and commercial opportunities and activities

- Two way trade between Australia and Laos remains modest at AUD 122 million in 2018 (AUD 50 million in goods and AUD 72 million in services):
  - major Australian exports include pumps for liquids, specialised machinery and parts, and other engineering equipment
  - major Australian imports from Laos include telecommunications equipment and parts, footwear, jewellery, and electrical machinery and parts, and
  - Australian commercial interests are currently in a range of markets including forestry, logistics, finance, mining and other services.
- Emerging opportunities for Australian business are in food and beverages, education, agriculture and forestry, transport and logistics, energy and mining, and services including tourism:

#### Key facts and figures in 2018

- Population: 6.8 million
- GDP growth: 6.5%
- GDP per capita: USD 2,720
- Political system: one-party socialist republic
- Total bilateral merchandise trade: AUD 50 million
- Total bilateral services trade: AUD 72 million
- Aid relationship: AUD 44 million



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- Laos' young population and relatively cheap electricity provide opportunities in manufacturing, particularly in the Savan-Seno special economic zone (SEZ) in Savannakhet Province, and others such as the Vita Park SEZ near Vientiane Capital, and
- although the Lao market is small, its strategic location and focus on improving regional connectivity will provide opportunities for Lao-based firms to export to neighbouring markets, participate in regional supply chains or operate as a '+1' from neighbouring markets.
- Australian investment is well regarded in Laos for its contribution to the economy, creation of local jobs and high quality social and environmental standards.
- The Australian Chamber of Commerce in Laos (AustCham) is very active and has a high profile within the international business community.
- Australia also co-chairs the Lao government's trade and private sector working group:
  - this is the primary mechanism for coordinating development partner and government policy in this sector.
- The Australian Embassy in Vientiane works with Austrade to support Australian businesses in Laos, including by:
  - holding biennial high level consultations between Lao and Australian governments to discuss challenges and opportunities for trade and investment
  - promoting the Australian education brand and opportunities to study in Australia through regular engagement, information sharing, and promotional activities with education agents based in Laos and Thailand
  - supporting AustCham, including on a range of events linking Australian businesses to local Lao private sector and government contacts. This helps to share information and build networks
  - engaging with Australian businesses to provide market insights, contextual background on operating in the country and introductions to relevant contacts
  - regularly inviting Australian businesses and international chambers of commerce to provide feedback to the Lao government's trade and private sector working group and the Lao Business Forum, and
  - working to promote quality investment in Laos, for example by supporting the second ANZ Food, Beverage and Agriculture Business Forum held in Vientiane in August 2019.
- Australia has provided significant assistance to Laos to develop trade and the private sector (AUD 29.6 million between 2007 and 2019). This includes:
  - supporting accession to the World Trade Organization and helping to implement WTO commitments
  - reducing costs of trade, improving the business environment and raising the competitiveness of firms through the World Bank-implemented Lao Competitiveness and Trade project
  - developing policies on Lao start-ups and SMEs and engaging with business associations, entrepreneurs and investors through the Asian Development Bank Mekong Business Initiative and its work on the Provincial Facilitation of Investment & Trade Index (ProFIT Index)



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- helping Laos and other members of the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) to reap the benefits of regional integration through trade, and
- supporting Laos in improving its investment climate through the International Finance Cooperation.
- Businesses that are considering entering the Lao market are encouraged to consult with AustCham, local advisory and legal firms, development partners with experience in trade and private sector development, and other Australian companies operating in Laos to benefit from their expertise and experience in the market.

## Trade policy and negotiations

Australia and Laos are parties to AANZFTA, which entered into force in 2010 for Australia and eight other signatories. Laos, Cambodia and Indonesia followed in 2011–12. Negotiations to upgrade this agreement will commence in 2019.

Laos acceded to the World Trade Organization in 2013 and ratified its trade facilitation agreement in 2015 (this entered force on 22 February 2017).

Laos is currently negotiating the Regional Comprehensive Economic Partnership (RCEP) with ASEAN countries, as well as China, India, Japan, the Republic of Korea, New Zealand and Australia. RCEP provides an opportunity to strengthen the regional trade and investment environment, boost regional economic confidence and benefit consumers.

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