

LAOS

Business Conditions Snapshot

- Laos is consistently one of the fastest growing economies in East Asia and the Pacific. Its average annual growth rate of 7.7 per cent is driven mainly by the natural resources sector. The COVID-19 pandemic has dampened these growth prospects in the short term, though Laos has so far avoided a large-scale health crisis.
 - The World Bank predicts Laos' GDP will contract by 0.6 to 2.4 per cent in 2020, before rebounding to 4.9 per cent in 2021.
 - There are opportunities for Australian businesses as the Laos economy begins to recover from the pandemic.
- Over the past five years the Government of Laos has been diversifying the economy and promoting investment.
 - The Ease of Doing Business Agenda is a priority for government and the business environment has improved.
 - In response to COVID-19, the Lao Government increased its interest in boosting agriculture and domestic production. Upskilling the workforce remains a high priority.
- Opportunities are in areas such as energy (including renewables), manufacturing, agriculture, services and tourism. Special economic zones have been established with incentives for foreign investors.
- Laos sits at the heart of mainland Southeast Asia, and the Lao Government places a high priority on its transition from being a 'land-locked' to a 'land-linked' country.
 - The Laos-China railway is expected to be operational by December 2021 and the government is investing to improve regional connectivity and provide new opportunities for business.
 - A new highway between Vientiane and Vang Vieng is due for completion in December 2020 and further road connections to northern Laos are planned.

Key facts and figures

- Population: 7.1 million (2018)
- GDP growth: 6.4 per cent (2019)
- GDP per capita: US\$2,670
- Political system: one-party socialist republic
- Two-way merchandise trade: A\$52 million (2018–19)
- Two-way services trade: A\$72 million (2018–19)
- Aid relationship: A\$40.1 million (2020-2021)



MARKET INSIGHTS

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- Laos is working towards economic integration with ASEAN and regional partners through the World Trade Organization, Regional Comprehensive Economic Partnership (RCEP) and ASEAN–Australia New Zealand Free Trade Agreement (AANZFTA).
 - Australia’s development cooperation with Laos was valued at A\$40.1 million in 2020–21. In 2019–20 Australia provided a further A\$4.8 million to support Laos’ COVID-19 response, including A\$1 million for business environment reform to drive economic recovery.
 - Laos will benefit from Australia’s A\$500 million commitment to support Southeast Asia and the Pacific with access to a safe and effective COVID-19 vaccine, as well as Australia’s commitment on 14 November 2020 to provide A\$232 million for economic integration and development in the Mekong.
 - Overarching strategic objectives for Australian aid span education, human resource development, and trade and private sector development.

Trade and Investment Opportunities

- Two-way trade between Australia and Laos remains modest at A\$128 million in 2018–19 (A\$52 million in goods and A\$76 million in services).
 - Major Australia exports include pumps for liquids and associated parts, specialised machinery and parts, and other engineering equipment.
 - Major Australian imports from Laos include telecommunications equipment, footwear, jewellery and computers.
 - Australian commercial interests currently span a range of markets, including forestry, logistics, finance, mining and services.
- Emerging opportunities for Australian businesses are in food and beverages, education, agriculture and forestry, transport and logistics, energy and mining, and services – including tourism, agrotechnology, fintech and e-commerce.
 - Laos’ young population and competitive electricity price provides opportunities in manufacturing, particularly in the Savan-Seno special economic zone (SEZ) in Savannakhet Province, and others such as Vita Park near Vientiane Capital.
 - 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.
 - The response to COVID-19 means new ways of doing things. Business and government are turning toward digitalising their operations – increasing demand for fintech and e-commerce.



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- Completing major new road and rail infrastructure projects will open up new opportunities.
 - On its completion in 2021, the Laos-China (Vientiane-Kunming) railway will create significant new export opportunities for businesses based in Laos.
 - Laos will still need to invest in complementary infrastructure (dry ports, access roads) and regulatory reform to ensure this potential can be fully realised.
- Australian investment is well regarded in Laos for its economic contribution to local jobs and high social and environmental standards.
- The Australian Chamber of Commerce in Laos (AustCham) is very active and has a high profile within Laos' moderately-sized international business community.
 - In 2020, AustCham was the only international chamber of commerce selected to lead a working group to prepare for the Lao Government's flagship business and investment event, the Lao Business Forum.
- The Australian Embassy co-chairs the Lao Government's Trade and Private Sector Working Group, the primary mechanism for coordinating development partner and government policy in this sector.
- The Australian Embassy also 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 Australian food and beverages, as well as Australian education, through regular engagement, information sharing and promotional activities with 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.
 - 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.
 - Working to promote high quality Australian investment in Laos in dialogue with senior Lao Government representatives.
 - Engaging with Australia's large and well-connected alumni networks in Laos.
- Australia has provided significant assistance to Laos to develop trade and the private sector (over A\$30 million between 2007 and 2020). This includes:



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

Trade Policy Focus

- Laos signed the Regional Comprehensive Economic Partnership (RCEP) agreement on 15 November 2020 along with 14 other countries (ASEAN members, Australia, China, Japan, Korea and New Zealand). These countries now need to complete domestic procedures to ratify the agreement before it enters into force.
- Australia was of the initial nine signatories for AANZFTA in 2010. Laos, Cambodia and Indonesia joined in 2011–12. Negotiations to upgrade this agreement were planned for 2020 but postponed due to COVID-19.
- Laos acceded to the World Trade Organization in 2013 and ratified its trade facilitation agreement in 2015 (this entered force on 22 February 2017).

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Insight current as at December 2020.



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