



# Thailand's Neighboring Countries

## “Challenges and Opportunities”

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# Economic Information 2013

- GDP increased by 8% with value adding of 80.340 billion Kip and it's approximately to US 10,4 billion.
- GDP per capita was US \$ 1.490.
- Number of population is around 6.640.000 people.
- The share of GDP growth by sectors are as below:
  - 1) Agriculture and Forestry increased by 3,1% and shared to the GDP growth of 25,5%.
  - 2) Industry sector increased by 10,9% shared to the GDP by 30,3%.
  - 3) Service sector increased by 9,8% shared to the GDP growth by 38,4%.



## Top Ten Partner of Export 2012-2013

No.	Country	Value (US\$)	Share (%)
1	Thailand	1.301.239.053	38,48
2	Australia	793.924.376	23,48
3	Vietnam	353.759.060	10,46
4	China	325.713.881	9,63
5	Netherland	199.142.153	5,89
6	Germany	77.491.268	2,29
7	England	64.411.420	1,90
8	Japan	62.165.265	1,84
9	USA	31.681.769	0,94
10	Belgium	29.148.799	0,86
	Others	142.853.995	4,22
<b>Total</b>		<b>3.649.759.674</b>	<b>100</b>

## Import from ASEAN Countries 2012-2013

No.	Country	Value (US\$)	Share (%)
1	Thailand	2.282.003.305	86,36
2	Vietnam	328.887.379	12,45
3	Malaysia	16.771.215	0,63
4	Singapore	8.274.284	0,31
5	Indonesia	5.094.037	0,19
6	Philippines	885.351	0,03
7	Cambodia	633.100	0,02
<b>Total</b>		<b>2.642.548.671</b>	<b>100</b>

<b>Top Five import and Export Products 2012-2013</b>				
<b>No.</b>	<b>Export</b>		<b>Import</b>	
	<b>Items</b>	<b>Value (US\$)</b>	<b>Items</b>	<b>Value (US\$)</b>
1	Industry Products	1.340.246.647	Fuel and Gas	603.438.548
2	Mining	1.282.983.984	Vehicle and spare Parts	704.648.074
3	Electricity	328.058.731	Construction Equipment	759.349.703
4	Agriculture Products	283.001.082	Goods imported for Industry production	464.894.926
5	Wood and Wood Products	83.394.255	Electric Equipment	382.137.445

## **Connectivity between Laos and Thailand**

**Since Thailand is a center of trade and investment in this region, Laos and Thailand together with international financial institutions have constructed Friendship Bridges over the Mekong River to connect two countries and access beyond to regional and global economies.**



## Friendship Bridge no. 1

Vientiane (Lao PDR) - Nongkhay (Thailand)



**Friendship Bridge no. 2**  
**avannakhet (Lao PDR) - Mukdaharn (Thailand)**



**Friendship Bridge no. 3**  
**mmuane (Lao PDR) - Nakhornphanom (Thailand)**



**Friendship Bridge no. 4**  
**Hueixay (Lao PDR) -Chiangkhong (Thailand)**





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Friendship Bridge no. 5  
olikhamsay (Lao PDR) - Bungkarn (Thailand)

## Border Checkpoints (International level)

- Houeisay/Chiangkhong (Bokeo/Chiangrai)
- Namgneun/Houeikol (Sayabouli/Nan)
- Kaenthao/Nakaxeng (Sayabuli/Leui)
- Friendship bridge (Vientiane Capital/Nongkhai )
- Paksan/Bungkarn (Bolikhamxay/Nongkhai)
- Thakhaek/Nakhornphanom(Khammouann/Nakhornphanom)
- Savannakhet/Mukdahan(Savannakhet/Mukdahan)
- Vangtao/Chongmek(Champasack/Ubon Ratchathani)

## **Border Checkpoints (International level)**

- **Airports:**

1. **Wattay international Airport**

2. **Luangprabang Airport**

3. **Savannakhet Airport**

4. **Pakse Airport**

# AEC Objectives

- **Single Market and Production Base**
- **Highly competitive economic region**
- **Region of equitable economic development**
- **Region fully integrated into economy**

- **This competitive market will create for over 600 million people in Asian countries which comprise of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.**
- **There will be free flow of goods, service, investment capital and skilled labor following the liberalization.**
- **It will include tariff reductions and streamlining of certain administrative procedures, especially import-export and custom procedures**

- **For Lao PDR, after adoption of AEC's Blueprint in 2007, we closely focus on the information dissemination of ASEAN economic integration to Lao society as well as Lao business community widely for understanding in order to make use from the AEC especially the public and business sectors.**
- **All line ministries have conducted series of outreach programs by organizing workshops/seminars on AEC at the capital and provinces.**
- **Several laws and regulations related to trade and investment has been revised and amended, making more transparency, easier and faster for traders and investors in their business practice.**

- **Opportunities**

- **For the opportunities, we would first, look at the country's advantage. Lao PDR is a country with relatively huge potential in untapped Natural Resources.**
- **It could become a supplier of commodities to promote economic development in its neighbors, particularly in the fields of hydro and bio-energy production, forestry, agriculture, and mining.**
- **The country area comprises of a large area of fertile agricultural Land, Varieties of Tourism Development Sites and Virtually no damaging natural disaster.**

- **It's one of the Politically Stable Country in the Region with Low Crime Rate with a mean of foundation and essential precondition for its socio-economic development.**
- **The full membership of the Lao PDR in the regional and global political, economic, and monetary organizations will boost the dynamism of the economy and accelerate the country's development.**
- **Lao PDR has been recognized in the region and globally as having a dynamic economy within a stable political situation and it is a safe destination for investment and tourism.**

- **Potential sectors for foreign investors are Energy, Mining, Agribusiness, Tourism, Construction Material, Light Industry and Service.**
- **Tourism sector is one among those sectors that government has been focusing to develop and takes this sector into account as important sector promoted for revenue expanding to the poor people. There are now three type of tourism; Eco—Tourism, Culture-Tourism and Agro-Tourism.**
- **Tourism business operation is now opened to FDI with foreign Equity of up to 70%. Several natural tourist sites are welcoming for FDI. Culture -Tourism is rich in well-preserved culture and tradition.**
- **There are 02 tourist sites which belong to the world heritage and 29 sites for the National heritage.**

- **To make a platform for good business environment of liberalization of Trade, Investment and Service from the post AEC 2015, the Government of Laos has amended foreign and domestic investment promotion law in 2011 by combining two laws into one called investment promotion law.**
- **Purposes of the new investment promotion law are to shorten procedure to open new business for investors, to identify terms of investment; (Article 20) there are no terms of investment of general business activities and up to 99 years (Article 28) for the terms of concession projects.**
- **Education and Health Care sectors are top priorities.**

- ***Article 53:* Both foreign and domestic investors can access to local financial sources and foreign financial institutions.**
- ***Article 58:* foreign invested companies can own a piece of land for building their residences if conditions are satisfied as import registered capital in cash at least US\$ 500.000, must be government owned land and designated by the government, Certificate of location on investment issued by local Authorities.**
- **Foreign investors can invest in the real estate sector through leasing land from Government or private owners and can buy/sale that real estate.**

- **A set amendment of law and regulation for trade and investment created significantly economic growth rate. Enterprises and national economy have adapted better to the international market and the competitiveness of Lao products has improved steadily.**
- **The market economy has been adjusted and progressively improved. Its GDP growth has been increasing during the past decade by 7.5- to 8% a year.**

- **Labor wage is cheaper than that in majority of member states in ASEAN. The export is benefited by GSP Privileges given from developed countries. Those advantages can be continued in using for post AEC 2015.**

- Beside of laws and regulations amendment, the Government of Laos has also allocated land to develop as Special Economic Zones, Specific Economic Zones, export processing zones, Industrial Park, tourism zones, duty free zones, ICT zones, and others.
- Investors who invest in these zones will have higher incentive rate of tax exemption than those invest in other areas.
- Now there are Special Economic Zones which have approved by the Government as following: Savan-Seno Special Economic Zone, Boten-Dankham Special Economic Zones, Golden Triangle Special Economic Zone, VITA Park (21Km), Phou Kyo Tourist Town, and Border of Friendship Bridge 3.

- **Special Economic Zones which is under consideration and proposed to establish:**
  - **Nam Heung International Checkpoint,**
  - **Mahanati Siphandon Tourist Town,**
  - **Xieng Khouang Plain of Jars Tourist Development Town,**
  - **Houyshone Ecotorism,**
  - **SEZ of Xamneua,**
  - **Tourist Town in Viengxay District, Houaphan Province.**

- **Joining to the single market and production base will make Lao PDR more a dynamic and competitive with new mechanism and measures to strengthen the implementation of existing economic initiatives, accelerating national economic integration, facilitating movement of business persons, skilled labor and talents, and strengthening the institutional mechanism of Lao PDR.**

- **A free flow of goods will give domestic consumers having more choice in purchasing on products with high quality, good prices, and safety for consumption.**
- **Exporters can access to the ASEAN's market by exportation of their products, raw materials to be as part of supply chain in ASEAN.**
- **General goods imported and exported will be benefited from tariff exemption. Tariffs will be eliminated and non-tariff barriers will be gradually phased out.**
- **Simple harmonized and standardized trade and custom are expected to reduce transaction costs and that could be part of price competition for purchasers. Lao consumers could benefit from the opening up of integration with the ASEAN market.**

- **A free flow of services will give a more chance for people looking for jobs. It will create various and increase number of jobs inside the country resulted from free flow of investment and increasing of capital in the sectors of transportation, banks and financial institution, insurance, healthcare, educational and vocational centers, training centers, textiles and apparel, tourism, wood- based products, food agriculture and forestry sectors.**
- **Unlimited goods imported with no trade barrier's measures could not be controlled and tested to all goods items and in all entries of goods that may lead to insecurity consumption, especially to people who could not read and understand goods consumption instruction in urban and in rural areas.**

- **A free flow of investment will bring foreign investors into the country to invest in the potential sectors and in the promoted areas country-wide.**
- **It will support the implementation of the national social economic development plan and poverty eradication plan through mega projects implementation with a huge of capital in the sectors of mining, electricity and energy, public infrastructure development and environment protection.**

## Opportunity's Conclusion

- **Strategic county's location**
  - **Plentiful natural resource**
  - **Land concession policy**
  - **Tourism**
  - **Environment of business doing**
1. **Trade (GSP from EU and developed countries, NTR with USA, FTA with developed and developing countries; India, China, Taiwan, and S. Korea, 8 FTA's areas; AFTA, ACFTA, AKFTA, ALFTA, AIFTA, AANZFTA, APTA included 5 countries such as Korea, India, Srilanka, Bangladesh, and China, and bilateral FTA with Vietnam by tariff reduction of 50% of AFTA/ATIGA.**

## **2. Investment (there are three forms and three types of investment in Lao PDR);**

### **2.1 Forms:**

- **The 100% ownership (apply for both foreigners and local people)**
- **The Joint Venture form (foreigners and local people can make the joint venture or company-company or company-persons).**
- **Business by contract (Foreign companies can make the contract or agreement with the local partners in order to order the products or goods from Laos or vise versus)**

## 2.2 Types

- **General business (Ministry of Industry and Commerce is in charge of registration on this business license)**
- **Concession business (Ministry of Planning and Investment issues the concession license)**
- **Activities for development of special economic zones and specific economic zones (Secretariat to the National Committee for Special Economic Zones at the Government Office issues the license)**

- **challenges**

**After joining AEC, Lao PDR will face some challenges as following:**

- **No duties and taxes import, would be a mean of losing part of the national revenue.**
- **A free flow of goods would bring high competition for some domestic production and service sectors. SMEs from these sectors would be affected by a free flow of goods and service. It may be harmful for production sector where is lacked and low level of technology using. This could be made high cost for finished products and unqualified for the production outcome. Finally, a price of products could not be competitive with goods flowed from outside of the country.**

- **Even though Lao PDR has an advantage of location but majority area is mountainous and hill, particularly in the North. Communication and transportation infrastructure must be improved for both inside the countries and linkage to neighboring countries.**
- **Building new roads, railways and upgrading level of roads existing to the highway including high speed railways are needed a huge amount of fund but the country has now insufficient budget.**

- **A free flow of skilled labor would also bring high competition for Lao labor. In one hand, Lao PDR has a small number of populations that means that number of real labor could not supply the demand of labor for the next coming decade even though the growth rate is high**
- **In second hand, majority of Lao labor is unskilled. Almost are not educated on professional, therefore these labor will lose good jobs and it would be big challenge for whom speak only Lao and could not speak foreign language**

- **English speaking is one of the most important issues from the start of AEC's implementation not only for Lao labor but also for the government officers and private sector as well.**
- **Information and Technology is alike of modern lifestyle for new generation in the world and the same as in ASEAN. Therefore, unskilled for information access and technology applying would be in behind from those who have advantage on IT, especially for business communication and publication.**

- **A free flow of service in tourism sector and free flow of people movement could be created platform for Lao people itself learning from liberalization of culture and even lifestyle that would be a risk management for some areas of Lao culture and tradition.**
- **A free flow of investment would bring a risk management for environment protection in long run in some projects of mining and tourism sites development, if there is no good management and local people contribution.**

- **In conclusion** , I would say that after joining AEC 2015, Lao PDR would get certain opportunities from the liberalization of trade, investment and service. However, Lao PDR needs to build and strengthen market institution to make such more compatible to the ASEAN and its Dialogue Partners.
- **Develop infrastructure to link the country to other economic corridors.**
- **Improve SME development strategy plan to enhance competitiveness, support natural-based industry with environment-friendly and economically efficient approaches.**

**Thank you for your kind attention**