

Trends and Patterns of Foreign Direct Investment in Lao PDR

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Abstract

Foreign direct Investment (FDI) has played an important role in the development of the economy of Lao Peoples Democratic Republic (Lao PDR or Laos) in recent decades. Economic transition of Laos to a market-driven economy has attracted international investor attention. This paper examines the trends of foreign capital inflows to Laos as they increased since the promulgation of FDI law in 1988. The paper also describes the sources and types of FDI in Laos. The sectoral, provincial and legal-type distribution of FDI in Laos are investigated. Finally, the paper provides an overview of the trends and patterns of Australian investments in Laos.

Keywords: Foreign direct investment, Lao PDR, ASEAN, Australia, Newly industrialising economies

1. Historical Background of Foreign Direct Investment in Indochina

FDI in Indochina (Laos, Cambodia and Vietnam) dates back to the period of European colonial rule. At that time, Indochina opened up for international trade and investment by the countries that colonised them. The European nations were searching for investment opportunities in which to source inputs and invest into new markets. Initially, the European business activity focused on small trading, but industrial revolution made the need for resources in the new markets and foreign investments. The French was the main investor in Indochina region between 1887 and 1953 (Freeman, 2002) (Note 1)

France's FDI in Indochina prior to 1990 appeared to have been insignificant (Linbald, 1998, p.13). France's first major FDI in Indochina-Vietnam was in communication, mining activity, followed by trading firms, rubber and tea plantations and processing, and textile companies (Callis, 1942, republished 1976). The French considered Vietnam as a trade link to the huge Chinese market (Murray, 1980). By 1937, Indochina received a total FDI inflow of US\$302 million. In terms of sectors, the services sector was the major investment sector, followed by Agriculture (32 per cent), mining (16 per cent) and others (16 per cent) (Callis, 1942).

The 1920s experienced a boom in the mining activity in Indochina. With respect to Laos, tin mining was the only business sector that received an interest under the French colonial rule (Stuart, 1995, pp.135-136). At that time, France was the major investor in Laos. By 1937, about 97 per cent of all investment in Laos was from France (Linbald, 1998, pp.14-19). Indochina has experienced a rapid change in FDI activity in the mid 1980s when the countries began their economic transitions.

2. Trends in Foreign Direct Investment in Laos

The focus of this section is on inflows of FDI to Laos during the country's economic transition from a centrally planned economy to a market driven economy. The data on FDI inflows into Laos were obtained from the Department of Domestic and Foreign Investment of Lao PDR (DDFIL) and span the period 1988 to 2004. The FDI data are recorded in U.S. dollars (Note 2).

At the beginning of Laos' economic reforms FDI inflows to Laos were small. According to the DDFIL (2004), inflows of FDI to Laos were US\$2.7 million in 1988. Figure 1 depicts capital inflows to Laos during the period 1988-April 2004. Foreign investment inflows to Laos started to increase in the early 1990s. According to Freeman (2002), the early 1990s saw a boom in private capital inflows, portfolio investment and commercial bank lending. In 1994, inward FDI to Laos was US\$1.6 billion. Real FDI inflows to Laos appears to have increased in 1995, 1996, 1997 and 1998 when Laos amended its investment law in 1994 (Figure 1). The rise in FDI in Laos was associated with the global economic boom, which increased FDI worldwide. The Asian financial crisis temporarily impacted on the FDI flows to the Asian countries including Laos.

By December 1997, approved FDI investments in Laos were valued nearly US\$1.26 billion (DDFIL, 2004) (See Appendix 1). Attractive investment sectors were mining, forestry, telecommunications, hotel, wood industries, tourism, and hydro-electricity power, petroleum and garment industries. Initially, joint ventures were the preferred mode for foreign investment entry in Laos. In June 1993, wholly foreign owned enterprises were the common mode of FDI, accounting for 57 per cent of FDI licences. During 1988 and 2004, Laos had received a total inflow of FDI of US\$8.012 billion. Figure 1 shows inflows FDI to Laos were just under US\$400 million during 2000 and 2004. While the official figures show a decline in FDI inflows to Laos, it appears that actual FDI inflows have increased significantly during the last several years (Figure 2). In fact, the regional economy has improved and Laos has made investment more attractive and easier, especially speeding up every step in the processing of documents. It has also improved its investment potential, with a zero import duty on machinery and the investment term of 50-75 years, which was in the past only 20-30 years. Appendix 1 presents data on approved FDI in Laos by country of origin during 1988 and 2004. The growing interest in FDI in Laos reflected the country's ability to attract FDI flows over the last decade. Moreover, Laos had co-operative arrangements with the ASEAN countries and participated in multilateral trade. Laos has benefited from the trade and investment agreements of the ASEAN Investment Area in 1998 and the launching of investment privileges under the Bold Measures announced in December 1998 (ASEAN Investment Report, 1999). Furthermore, it is anticipated that FDI inflows to Laos continue to rise in the coming years as a result of the ASEAN-Australia and New Zealand agreements on the trade and investment (Normal Trade Relations) signed in November 2004.

It appears that actual FDI in Laos has increased remarkably in the past several years with a growth of more than 30 percent per year on average over the three full years, 2000/2001, 2001/2002 and 2003/2004. The actual investment was estimated to increase by 20 per cent during the period 2002-2003, to about US\$180 million, while the approved FDI rose to about US\$503 million during the same period. Figure 2 shows approved FDI flows and actual FDI flows in Laos during the period 2003-2004. As shown in Figure 3, the main drivers of the rise in approved and actual FDI in Laos in 2003/04 have been investments in industries and services (WBG, 2004).

ASEAN investment in Laos increased rapidly during the period 1997 to 2004. ASEAN investors have become the largest sources of FDI in Laos. This may suggest that Laos is becoming a favourable investment location with cultural links with ASEAN investors. European investment in Laos shows a downward trend in recent years as they have been replaced by the Newly Industrialised Economies (NIEs). The triad countries [Japan, the U.S and the European Union] were traditionally the major sources of FDI flows into the ASEAN region. It appears that the NIEs and intra-ASEAN investment (China, Taiwan, Malaysia and South Korea) have become significant sources of FDI to the Asian region (ASEAN Investment Report, 1999). These countries have become a major source of foreign investment in Laos in recent years. The major developed countries with investments in Laos have been the USA, France, Switzerland, Australia and New Zealand. The ASEAN countries, Thailand, Singapore and Malaysia have also invested a large amount in Laos (US\$200 million in June 1993). The growth in ASEAN and NIE investments in Laos were significant in the period 1992-1994 (Than and Tan 1997). The trend indicates the importance of Lao integration into the ASEAN regional economy and the international economy (FIMCL, 1997). Thailand has been the dominant investor in Laos since 1988. Between 1988 and 1994, Thai investment in Laos was over six times greater than that of the second largest investor, the USA (US\$554 million versus US\$86 million) (Far Eastern Economic Review, 1995). In 2004, Thailand accounted for 34.30 per cent of all FDI flows to Laos. This dominant position of Thailand is expected to remain for many years because of its geographical proximity, cultural links and close trade and economic relations with Laos.

The next largest source of inward FDI in Laos was the USA, accounting for 13.38 per cent, followed by Malaysia (9.72 per cent), France (5.58 per cent) and China (4.25 per cent) (Note 3). The EU FDI has also been significant in Laos. France is one of the largest EU investors in Laos. Historical ties had a great deal to do with this development. Laos has become a favoured EU investment destination and a source of exported products to the EU because of the Generalised System of Preferences (GSP) granted to Laos. Wholly foreign owned FDI has been the common type of foreign investment since the amended law in 1994.

In 2003-2004, the main countries with investment approvals in Laos have been Australia (US\$293 million), followed by Vietnam (US\$63 million), Thailand (US\$60 million), Switzerland (US\$30 million) and China (US\$28 million) (See Figure 4). Other investors are Malaysia, Netherlands, the Republic of Korea, the United States of America, and France. Data on actual investments by country were not available, however, the main investors in 2003/2004 were Australia, China, Malaysia, Thailand, Vietnam, Asian NIEs and several EU members (WBG, 2004). Australia remains an important player in investment in Laos. It is expected that Australian investments in Laos continue to rise as Laos improves its physical infrastructure, economic performance, political stability and continuation of bilateral trade relations with Australia.

3. Patterns of Foreign Direct Investment in Laos

3.1 Sectoral Distribution of Foreign Direct Investment in Laos

The sectoral distribution of FDI in Laos has changed considerably since the adoption of the law on FDI in 1988. In the early 1990s, foreign investment in Laos concentrated on the hydropower sector and the mining sector. Western investors began to explore for potential natural resources, notably in 1990-1993, and in recent years. Foreign investment in the manufacturing sector was significant since 1992. In the manufacturing sector, much of the investment was in labour intensive and low technology industries. Direct investment within the manufacturing sector was spread across a broad range of industries, the most important being textiles. Other important industry groups were beer and footwear. Foreign direct investment flows to Laos by industry sector are shown in Appendix 2.

FDI in the manufacturing sector continued to rise in the mid 1990s. By 1995, Laos exported 80 per cent of garments produced in FDI related factories to the EU nations (Freeman, 2001). The firms of Asian NIEs were attracted to the manufacturing industry, including the production of textiles, garments, footwear and other manufactured goods. Foreign firms have also begun to invest in the services sector during the period 1990 to 1992. The shift in the pattern of FDI in Laos can be explained by two factors. Firstly, the revised law encouraged FDI into export-oriented manufacturing enterprises as well as improvement in infrastructure. Secondly, ASEAN firms were the fastest growing sources of foreign investment in Asia (Freeman, 2001). In addition, Laos is in the process of moving from an agricultural economy to an economy with a small industrial sector focusing on manufacturing activities and tourism (United Nations, 2005).

In 1996, foreign investments in the manufacturing sector accounted for 21 per cent. Wearing apparel and garments accounted for a significant share of investment flows to Laos. According to the ASEAN Investment Report (1999), the USA and South Korea investments in Laos were concentrated in the hydropower industry, while the investments from France, China and Thailand were diversified in all sectors. In 2003, the top four investors in all business sectors were China, South Korea, Malaysia and Thailand. The top four investors in the manufacturing sector were China, Thailand France and Malaysia (Savan-Seno Special Economic Zones Authority, 2003).

The majority of Australian investments in Laos were in the mining, construction and hydropower sectors. Australian investment in the South East Asian region has also been substantial in the mining sector in the second half of the 1990s. This importance of Australian direct investment in the mining sector could be due to the long tradition and experience in Australian firms of exploitation in mining and the development of mining technology (BIE, 1995). In 1996, hydro-electricity projects accounted for about 75 per cent of the total value of investments approved. Mining accounted for 4 per cent, services 17 per cent and energy 73 per cent. Other attractive sectors were garments, manufacturing and agriculture (FIMCL, 1996; DFAT, 1997). This suggests that Australian investors are keen in mineral exploration and are able to bring world-class expertise and technology. This sectoral pattern of investment can be explained by the concept of comparative advantage. Australia has a comparative advantage in expertise and in the activities relating to resource extraction in the mining, energy and mineral industries.

During 1997-1998, about 49 per cent of FDI flows to Laos went to hydropower sector, which was one of the capital-intensive sectors. About 17 per cent of the total FDI flows concentrated in the manufacturing sector and about 34 per cent in services, hotels, agricultural and other sectors (ASEAN Investment Report, 1999). Investment in the mining sector has also increased over the years, representing 1.28 per cent of total FDI flows to Laos. FDI into hotels, restaurants, industries and handicrafts increased dramatically between 1994 and 1996 (see Figures 5 and 6).

Currently, FDI flows to Laos are concentrated in hydropower (67.40 per cent), handicrafts such as weaving silk (3.88 per cent) and industries comprising of labour intensive and low-technology goods such as garments aimed at export markets. Hotels and restaurants (7.18 per cent), telecommunications (8.21 per cent) and services (3.11 per cent) are other sectors that receive FDI in Laos. Although FDI in mining represents 1.28 per cent of total investment by sector in Laos, it appears that actual FDI in mining has grown rapidly since the early 1990s. Australia is the largest foreign investor in mining in Laos. Australian investments in the mining industry in Laos have grown rapidly, notably during the past several years. Figures 4 and 5 present data on investment values according to industry for the period 1988 to April 2004. Overall, most of the investment projects have been in hydropower energy, handicrafts, and wood processing, telecommunications and mining sectors. Appendix 2 shows Annual FDI inflows by sector between 1988-2004.

In 2003-2004, approved FDI in the industrial sector (mining, handicrafts, wood processing) accounted for almost 70 per cent of the total FDI approvals (US\$350 million), while agriculture and services made up around 25 per cent of total FDI approvals each (US\$76 million). Estimated actual investments in the industrial sector and mining were 86

per cent of the total (about US\$150 million, mining estimated at US\$130 million or 87 per cent), followed by agriculture (around 3 per cent) and services (11 per cent). In sum, most of the approvals of FDI concentrate in natural resources (hydropower and mining) and some in services, but very little in the agricultural sector (WBG, 2004).

3.2 Foreign Direct Investment by Province

The Lao government started to encourage FDI outside Vientiane in the mid 1990s. This was a part of the government's regional development strategy. Latest data are not available on FDI by provinces. Data are only available for the 1992-1999 period. FDI in Laos is unevenly distributed across the regions (See Table 1). The majority of foreign firms are located in the central region of Laos and in the metropolitan area of Laos. These include both manufacturing and services industries. Reasons for this concentration are easier access to transportation, the availability of labour force, and the proximity to government departments and markets. The government recently provided attractive tax and non-tax incentives in recognising the need to promote inward FDI in rural areas.

3.3 Foreign Investment by Legal Types

Joint ventures and wholly foreign owned enterprises have been the common types of FDI in Laos, in terms of capital registered and project implementation (See Table 2). It is likely that 100 per cent foreign owned enterprises exceed joint ventures as government policy encouraged this form of investment (Saignasith and Lathouly, 1995). Following the amendments of the 1988 law, joint ventures and wholly foreign owned enterprises remain. No current data on FDI by legal types are available; the data are confined to the 1990-1992 period. The DDFIL does not have the data on foreign investment by legal types. In relation to Australian investments in Laos, wholly owned and joint ventures have been the preferred modes of entry.

4. Australian Investments in Laos

In this section, the emphasis is on Australian direct investment in Indochina and Laos, and the data were obtained from the DDFIL. This section supplements to the findings from the ASEAN Investment Report (1999), DFAT (1994, 1997), and Freeman (2001, 2002).

Australia's direct investment in Indochina became insignificant since the 1970s. Australian investors represented small interests in Indochina. Political instability and the lack of infrastructure have impacted Indochina's trade and investment (DFAT, 1994). In the past decade, there has been a change in the pattern of Australian investment towards ASEAN countries including Indochina countries. Economic reforms in Indochina in 1986 have expanded trade and investment opportunities for Australian firms. Australian investment in Indochina has been significant in minerals exploration and construction. Cambodia, Vietnam and Laos have emerged as attractive locations for foreign investments in manufacturing industries such as textiles, clothing, footwear and tourism industry (DFAT, 1994).

No data are available on Australian investment in Laos on a year-by-year basis; therefore, this section seeks to describe the general pattern of Australian FDI flows to Laos between 1988 and 2004 (Note 4). Appendix 3 shows the number of projects and values classified by industry in which Australian investors have been investing. Prior to 1988, Australian investment in Laos was insignificant. Following the 1986 open door policy, many Australian firms including mining companies were allowed to conduct mineral exploration in Laos.

In 2004, while the level of Australian investment in agriculture in Laos has remained small, Australian investment has been substantial in the mining sector of which Laos accounted for 25 per cent of total investment, followed by construction (21.84 per cent), hotels (14 per cent), services (10.45 per cent), handicrafts (9.76 per cent) and hydroelectricity power (3.79 per cent). The mining and construction sectors have received more investment applications. However, Australia is not the only new comer to invest in these sectors. The USA, China, France and South Korea have become the largest investor sources in these sectors. In the late 1990s, nearly about a quarter of all approved projects were in the hydropower sector. Other sectors in which Australia has been active include tourism, consultancy, financial, trading and agriculture.

Australian investors are attracted to resources as well as relatively cheap labour that exist in Laos. Australian FDI flows to the mining, hydropower and manufacturing industries indicate that these are resource-seeking investments. This also suggests that Australian firms are investing in locations that provide them with competitive advantages and economies of scale. Thus, it points to the efficiency seeking of FDI. The Lao government progressively relaxed the restrictions to attract more foreign investors in mineral resources. Mining activities are an important source of income for Laos (Freeman, 2001).

The ASEAN Investment Report (1999), BIE (1981,1984,1994,1995), Oyul (2003) and the DFAT (1997) found that

Australian investment in Asia in general is concentrated in several industries including mining, construction, consultancy and services. The leading investors in Asia in mining are the USA and Australia.

5. Conclusion

FDI has contributed to the development of the Lao economy during the transition of the country into a market driven economy. FDI has benefited the country in terms of its contribution to the socio-economic development, foreign exchange earnings, technological advantages, increased gross domestic product, and employment creation. In addition, FDI flows have assisted the Lao economy in poverty alleviation. Laos has been learning to encourage FDI in order to support its economic reforms and achieving significant development. Over the past decade, FDI flows to Laos have gradually grown. The 1990s saw a remarkable increase in the world FDI as a result of liberalisation of FDI regulations in most part of the world. Developing country governments were driven by the need to attract foreign investment by offering investment incentives and removing major obstacles to foreign investment.

South East Asian countries have been attractive recipients of FDI in the 1980s and 1990s. These countries have placed emphasis on the role of FDI played in contributing to the development of their economies. Countries such as Laos that were internationally isolated in the past had experienced shortages of foreign capital flows into the country. Laos, being one of the least developed countries has been successful in attracting foreign capital of multinational enterprises seeking new markets, resources and low cost of production to manufacture products and services. Australian investors have become actively involved in various sectors of the Lao economy. In recent years, Laos experienced a significant capital inflow also from the newly industrialising economies (NIEs).

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Notes

Note 1. Laos was established under the French colony in 1893 and declared independence in 1953. The king of Cambodia placed the country under the French colony in 1863. Cambodia became part of French Indochina in 1887 and declared independence in 1953. Vietnam became part of French Indochina in 1887 and declared independence in 1953 (CIA, 2006a, 2006b, 2006c).

Note 2. Note that the DDFIL only records license approvals rather than project implementations. The WBG and the ADB, on the other hand, record the actual project implementations. Approved investments may overstate or understate the actual investments because not all projects approved are implemented. Similarly, Freeman (2001, p.8) notes that it is difficult to examine the actual FDI flows into Laos. Actual investment may be lower than approved investment, noticeable in the case of manufacturing projects where many projects have not been implemented due to delays in the processing of investment proposals. In addition, several projects involving foreign investors from different countries are involved but the total investment is from the home country of the lead investor.

Note 3. The DDFIL records total inflows FDI (approval) in Laos by country of origin. Actual FDI data are difficult to obtain due to the inclusion of approved but unimplemented projects in DDFIL. For the purpose of this discussion, the host country (Laos) is excluded since the whole pretext to this research is foreign-based companies investing in Laos. It needs to be a foreign-based company with decisions for FDI out of overseas into Laos. If it's based in Laos no FDI occurs as revenue is generated and spent in Laos - no FDI transfer.

Note 4. Detailed figures from the DDFIL showing the trend and pattern of Australian direct investment in Laos are available only since 1988. However, because of the dominance of Australian investment in the mining sector, the data in Appendix 3 can be taken as indicative of the industry distribution of Australian foreign investment in Laos.

Note 5. Parts of this paper are included in (Sisombat, 2007).

Appendix 1. Approved Foreign Direct Investment in Laos by Country of Origin, 1988-2004
(US\$ Million)

No.	Country	Projects	1988	1989	1990	1991	1992	1993
1	Thailand	285	646,000	36,218,356	3,982,434.00	20,288,878.00	32,812,397.00	42,221,914
2	Laos	24			200,000,000.00		500,000	39,000,000
3	USA	53	2,000,000		639,912,285	874,285	14,752,000	1,020,000
4	Malaysia	34					17,930,000	5,124,000
5	France	112	30,000	320,000	3,337,847.00	2,400,000	1,340,051	3,242,600
6	China	138			2,982,183	5,219,082	19,018,131	19,081,475
7	Vietnam	39				93,243	251,768	1,406,397
8	Korea	88				695,714	5,305,000	157,132,000
9	Norway	5						
10	Taiwan	38			3,100,000	3,561,550	22,050,000	17,200,000.00
11	Singapore	27			277,784	3,000,000	899,600	2,875,000
12	New Zealand	2						
13	Australia	47			170,000.00	525,000	7,520,000	13,312,392
14	Russia	20		337,500	5,469,000	20,595,000.00	330,000	200,000
15	United Kingdom	21		1,000,000	35,000		40,000	2,000,000
16	Japan	37			511,000		1,302,200	332,000
17	Canada	17		450,000	30,000		200,000	1,300,916
18	Sweden	8					29,500	217,000
19	Germany	17				600,000	400,000	50,000
20	Switzerland	6						200,000
21	Belgium	7				437,000		
22	Cambodia	3						
23	India	5			350,000			
24	Finland	3						
25	Iceland	3						
26	Italy	4				138,000		
27	Netherlands	4						500,000
28	Denmark	5		100,000		77,000		
29	Indonesia	1			339,102			
30	Austria	3				40,000		
31	Myanmar	2						
32	Luxembourg	1						
33	Ukraine	1						
34	Cuba	1						
35	Bangladesh	2						
36	Other	1						
	Total	1064	2,676,000	38,425,856	860,496,635.00	58,544,752.00	124,680,647.00	306,415,694.00

Appendix 1 Continued..

1994	1995	1996	1997	1998	1999	2000
1,057,020,538	40,847,836	502,465,000	356,572,906	525,905,200	7,350,000	3,334,400
438,000,000		116,400,000	408,500,000	275,000,000	37,750,000	
3,348,500	71,884	277,660,000	1,284,500	1,400,000	114,523,716	
3,430,000	5,000,000.00	211,200,000	458,448,386	3,100,000	14,700,000	3,530,000
3,204,247	1,055,000	1,712,111	3,304,893	387,683,090	1,085,100	2,550,000
26,786,000	10,179,000	3,150,000	3,810,838	7,651,470	42,713,576	10,605,800
706,820			327,331	1,603,000	14,751,250	1,613,000
2,840,000	6,600,000	1,130,000	1,788,810	6,800,000	4,250,000	9,359,750
56,000,000			1,080,000	120,000		
8,180,000	13,200,000	500,000	350,000	1,350,000	500,000	
	200,000	10,000,000	3,300,000		1,650,000	400,000
					50,500,000	
726,200	1,799,270	500,000	5,930,578	1,290,000	50,000	210,000
2,431,000		120,000		487,500		120,000
	4,000,000	14,097,000		285,000	3,634,000	
662,000	5,100,000	2,750,000	6,665,985	2,229,400	1,500,000	2,775,000
160,000	20,637,940		200,000	50,000	100,000	
110,000			634,500			
680,000			1,506,000	140,000		200,000
						2,000,000
	63,000		2,038,352	90,000	100,000	
				100,000		999,500
			230,000		75,000	500,000
		720,000			100000	
				300,000	500,000	
	100,000	100,000				50,000
		70,000		162167	50,000	
			100,000			
		50,000				
			200,000			
200,000						
			100,000	50,000		
			100,000			
1,604,485,305	108,853,930.00	1,142,624,111	1,256,473,079	1,215,796,827.00	295,882,642.00	38,247,450.00

Appendix 1 Continued..

2001	2002	2003	2004	Total	% share
4,036,594	13,934,852	79,773,341	20,600,000	2,748,010,646	34.30%
90,000,000	21,683,000	11,323,999	3,250,000	1641406999	20.49%
3,211,560	8,000,000	2,260,000	2,120,000	1,072,438,730	13.38%
100,000	26,553,000	30,014,493		779129879	9.72%
11,202,916	8,706,400	15,585,000	450,000	447,209,255	5.58%
12,415,000	55,352,796	114853581	6,610,000	340428932	4.25%
273,189,570	6,372,000	5,701,897	1,382,134	307,398,410	3.84%
9,350,000	14,597,000	5,280,000	200,700	225328974	2.81%
		21,800,000		79,000,000	0.99%
300,000	2,620,000			72911550	0.91%
250,000	1,300,000	35,800,000		59,952,384	0.75%
				50500000	0.63%
400,332	1,690,000	5,413,597		39,537,369	0.49%
300,000	950,000	1,500,000		32840000	0.41%
	843,200	4,900,000		30,834,200	0.38%
	811,000	1,000,000	500,000	26138585	0.33%
	500,000	180,000		23,808,856	0.30%
	12,940,000	100,000		14031000	0.18%
1,150,000	300,000	100,000		5,126,000	0.06%
750,000	400,000	350,000		3700000	0.05%
100,000				2,828,352	3.53%
950,000				2049500	2.56%
	399,398			1,554,398	1.94%
	675,065			1495065	1.87%
	1,200,000			1,200,000	1.50%
				938000	1.17%
				750,000	0.94%
				459167	0.57%
				339,102	0.42%
		120000		260000	0.32%
200,000				250,000	0.31%
				200,000	0.25%
				200,000	0.25%
185,000				185000	0.23%
				150,000	0.19%
				100000	0.12%
408,090,972	179,827,711	336,055,908	35,112,834	8,012,690,353	100.00%

Source: Department of Domestic and Foreign Investment of Lao PDR (2004).

Note: Official figures include former Lao citizen now living overseas and small number of investments made by Chinese and Vietnamese companies. The DDFIL records licence approvals rather than project implementation.

Appendix 2. Foreign Direct Investment flows to Laos by Sector (US\$), 1988-April 2004

No.	Sectors	No. Projects	1988	1989	1990	1991	1992
1	Power	19			800,000,000		
2	Telecommunications	17			5,000,000	500,000	200,000
3	Hotel-Restaurant	81			535,000	4,685,714	6,138,814
4	Industries- Handicraft	202		3,698,302	2,724,285	4,785,774	19,853,452
5	Services	178			39,040,000	2,340,000	1,910,916
6	Wood Industries	52	446,000	1,854,500	2,011,000	2,171,362	35,152,200
7	Agriculture	122			440,000	9,770,482	15,106,000
8	Construction	50		239,054			18,029,000
9	Mining	53		100,000		4,578,000	3,451,768
10	Trading	145	2,200,000	4,230,000	1,518,320	23,831,000	2,079,428
11	Bank	9		25,800,000			10,000,000
12	Garment	84		84,000	8,900,030	5,722,420	12,680,569
13	Consultancy	52	30,000	2,420,000	328,000	160,000	78,500
	Grand Total	1064	2676000	38425856	860496635	58544752	124680647

Appendix 2 Continued...

1993	1994	1995	1996	1997	1998	1999
195,000,000	1,180,000,000		388,000,000	1,130,000,000	1,100,000,000	151,000,000
740,000	62,800,000		491,840,000	800,000	75,000,000	771,050
6,094,600	280,173,217	500,000	212,540,000	523,971	2,650,000	335,000
29,434,796	10,740,598	54,807,890	19,540,000	9,240,852	6,170,970	45,841,713
2,116,200	2,505,600	10,539,270	5,457,000	7,789,998	7,193,000	8,310,100
4,209,000	20,371,000	577,770	12,000,000	82,130,000	4,095,167	
16,755,872	6,791,890	5,097,000	2,100,000	6,323,152	4,506,300	66,152,479
13,885,512	18,430,000	5,500,000		5,690,000	3,528,900	1,000,000
11,100,000		23,200,000	500,000	4,000,000	8,344,500	4,723,300
5,796,714	7,166,000	530,000	2,206,000	5,577,838	526,200	6,384,000
10,000,000	5,000,000	5,000,000	6,000,000			10,000,000
9,891,000	9,940,000	3,087,000	2,291,111	4,317,268	2,180,000	900,000
1,392,000	567,000	15,000	150,000	80,000	1,601,790	465,000
306415694	1604485305	108853930	1142624111	1256473079	1215796827	295882642

Appendix 2 Continued...

2000	2001	2002	2003	2004	Total	% Share
	360,000,000	22,000,000	72,800,000	2,000,000	5,400,800,000	0.67403
		12,940,000	413,597	7,000,000	658,004,647	0.08212
250,000	539,916	24,050,000	33,808,000	2,600,000	575,424,232	0.07181
11,042,800	4,730,570	64,388,196	22,759,159	1,500,000	311,259,357	0.03885
10,234,000	11,695,560	13,292,967	126,150,447	720,000	249,295,058	0.03111
2,153,000	1,715,000	5,473,000	2,773,669		177,132,668	0.02211
7,778,250	12,838,000	6,395,150	7,270,000	10,000,000	177,324,575	0.02213
	1,350,000	13,698,000	35,996,037	960,000	118,306,503	0.01476
1,704,400	8,900,000	1,830,000	22,474,999	7,782,134	102,689,101	0.01282
985,000	5,501,594	10,337,398	10,450,000		89,319,492	0.01115
					71,800,000	0.00896
3,850,000	300,000	4,700,000	650,000	2,450,000	71,943,398	0.00898
250,000	520,332	723,000	510,000	100,700	9,391,322	0.00117
38247450	408090972	179827711	336055908	35112834	8,012,690,353	1.000

Source: Department of Domestic and Foreign Investment of Lao PDR (2004).

Appendix 3. Australian Investments in Laos, 1988-April 2004

No.	Company's Name	Activity	Lao Capital	Foreign Capital	Capital	National
	Agriculture					
1	Lao Crocodile Ranching Co.Ltd	Crocodile ranching & zoo	245,000	255,000	500,000	Aust/Laos
2	Lao Australia Farmer Co. Ltd	Agriculture	40,420	389,580	430,000	Aust/Laos
3	Vientiane Flower Plantation	Flowers & fruit Trees plantation	50,000	50,000	100,000	Aust/Laos
			335,420	694,580	1,030,000	
	Garment					
1	K.N.L. Pty Ltd	Garment for export	-	120,000	120,000	Aust
2	kingsway (Lao) Factory Ltd	Garment	-	1,450,000	1,450,000	Aust
				1,570,000	1,570,000	
	Industries-Handicrafts					
1	Endeavour Embroidery Co. Ltd	Embroidery service	-	990,000	990,000	Aust
2	Lao-Aust Brick Co. Ltd	Producing bricks, tiles & drains	171,977	974,538	1,146,515	Aust/Laos
3	Techno Development Co. Ltd	Machineries & tools production	21,000	9,000	30,000	Aust/Laos
4	Lao Fancy Co. Ltd	Cutting (diamond) precious stone for export	12,500	237,500	250,000	Aust/Laos
5	King Gall Lao Co. Ltd	Manufactured bocks, bricks & roof tiles	100,000	100,000	200,000	Aust/Laos
6	Lao Fruit Juice Factory	Fresh drinking water & manufactured fruit juice	285,970	857,910	1,143,880	Aust/Laos
7	Sticky Hingeers	Manuf and wholesalers of ice-cream & snacks	591,447	100,000	100,000	Aust
				3,268,948	3,860,395	

	Mining					
1	Phu Bia Mining Ltd	Gold exploration	-	5,000,000	5,000,000	Aust
2	Lane Xang Minerals Limited	Mining exploration	-	5,000,000	5,000,000	Aust
				10,000,000	10,000,000	

Appendix 3 Continued...

	Trading					
1	Lao-Australia International Co. Ltd	Import-Export	-	300,000	300,000	Aust
2	Chun Siu trade import-export	Import-export	-	100,000	100,000	Aust
3	Lao-Asutral Holdings Co. ltd	Restaurant & sport	6,000	24,000	30,000	Aust/Laos
4	Gateway Enterprise Co. ltd	Construction, trade,		1,500,000	1,500,000	Aust/Sing
		consul, service, import-export	6,000	1,924,000	1,930,000	
	Hotel					
1	Hotel Beau Rivage Mekong Co. Ltd	Hotel & restaurant	-	190,000	190,000	Aust
2	Lao Hotel Plaza	Hotel	1,250,000	3,750,000	5,000,000	Aust
3	Taipan Hotel	Hotel & restaurant	150,000	350,000	500,000	Aust/Laos
			1,400,000	4,290,000	5,690,000	
	Consultancy					
1	Sumshen and Environment Ltd.	Agriculture Development Consultant	120,000	180,000	300,000	Aust/Laos
2	Vienpark Co. Ltd	Training consultancy:	-	300,332	300,332	Aust
		Planning, development evaluation				
3	Earthsystems Lao- Co. Ltd	Environmental consultant	-	100,000	100,000	Aust
4	Guy Investment Pty Ltd	Consultant	-	50,000	50,000	Aust
5	Chintanakanmay	Consultant	-	25,000	25,000	Aust
6	Asia Phatttana Limited	Investment consultant	50,000 170,000	50,000 705,332	100,000 875,332	Aust/Laos

	Services					
1	Lao Survey and exploration services	Land surveying, mapping & exploration	-	40,000	40,000	Aust
2	The 21st century school of English	English language teaching	-	100,000	100,000	Aust
		for Lao & foreigner				
3	Asia Gold Media Co. Ltd	Promote service & print for book phone	-	110,000	110,000	Aust
4	ALS (Austr.Laboratorian	Laboratory, analyse &	-	250,150	250,150	Aust

	Services)	screen mining				
5	Arda Language Centre	Language training centre	-	76,000	76,000	Aust
6	Blugrass Design Group	Internet design	-	500,000	500,000	Aust
7	Boart Longyear company	Drilling Services (survey/mining)	-	549,120	549,120	Aust
8	Milsearch-BKP EOD Joint Venture Ltd	Collecting & destroying mines and bombs	-	500,000	500,000	Aust
9	Vientiane University College	English language & computer training		34,000	34,000	Aust
	Advanced Training Centre					
10	Kevron Lao Co. Ltd	Survey & design of mapping by airplanes	-	216,200	216,200	Aust
11	Asia Vehicle Rental Co. Ltd	Vehicle for rent	216,500	216,500	433,000	Aust/Laos
12	Indochina Medical Services	Production service of audio	33,000	77,000	110,000	Aust/Laos
13	Tong and company	Business service	15,000	35,000	50,000	Aust/Laos
14	Survey Mapping Service Co.	Survey mapping service	300,000	700,000	1,000,000	Aust/Laos
15	Planet Computers Co. Ltd	Build install computers & after sale service		164,063	164,063	Aust/Sing
			564,500	3,568,033	4,132,533	

Appendix 3 Continued..

	Construction					
1	Lao thesis Construction Co.	Construction	-	2,500,000	2,500,500	Aust
2	John Holland Lao	Construction	-	2,000,000	2,000,000	Aust
3	Tha Ngone Bridge Company	Tha Ngone bridge construction	2,067,756	2,067,756	4,135,512	Aust/Laos
			2,067,756	6,567,756	8,635,512	
	Telecommunications					
1	Lao Westcaost Helicopter co.	Air transport by helicopters	-	313,597	313,597	Aust
				313,597	313,597	
	Hydropower					
1	Nam Theum	Hydro electricity	-	1,500,000	1,500,000	Aust
				1,500,000	1,500,000	
Total						
47			5,135,123	34,402,246	39,537,369	

Source: Department of Domestic and Foreign Investment of Lao PDR (2004).

Table 1. Annual Foreign Direct Investments by Province, 1992-1999

	Disbursement by province (US\$ Million)							
	1992	1993	1994	1995	1996	1997	1998	1999
Total of Provinces	66.71	88.56	107.30	132.35	92.43	93.58	92.44	182.78
Northern								
Luang Parabang	2.59	7.53	4.90	4.04	3.51	4.40	4.57	14.50
Sanyabury	2.68	2.58	3.24	2.85	2.84	1.08	4.69	6.38
Houaphanh	1.56	1.90	2.36	2.35	3.99	0.53	0.37	2.20
Oudomxay	0.01	0.03	8.83	0.04	0.11	0.53	0.67	3.54
Phongsaly	0	0.06	0.04	0.10	0.94	2.75	3.07	6.98
Luang Namtha	0.13	3.63	1.53	4.41	5.28	4.12	4.79	2.84
Bokeo	1.46	3.70	4.00	2.98	4.55	1.46	1.10	1.56
Central								
Savannakhet	8.18	11.75	27.96	26.83	13.77	2.64	2.86	8.95
Vientiane Province	34.18	43.24	41.79	73.59	39.63	47.62	37.79	33.54
Vientiane Capital								24.06
Khammouane	0.13	0.00	0.92	4.19	3.20	4.20	0.85	2.77
Xiengkhouang	1.12	1.29	4.45	4.96	3.50	2.18	12.17	29.67
Borikhamxay	0.29	6.84	0.32	1.12	2.33	2.32	0.14	20.34
Saysomboun	0.97	1.04	0.64	0.52	0.11			
Southern								
Champassak	1.36	1.05	0.91	0.88	3.67	17.66	16.87	20.22
Saravane	0.33	0.06	1.26	0.29	0.33	0.26	0.78	1.02
Attapeu	11.46	3.70	4.00	2.96	4.55	1.46	1.09	0.61
Sekong	0.28	0.16	0.17	0.24	0.12	0.38	0.65	2.21

Sources: UNDP (2002, p.188).

Table 2. Foreign Investment by Legal Types (US\$ Million), 1990 –1992

	1990	1991	1992	Total (1990-92)
Total				
Number	48	70	103	221
Value	96.70	161.79	160.24	418.73
Legal types Contract				
Number	4	2	6	12
Value	10.98	10.88	22.09	43.95
Joint venture				
Number	22	33	38	93
Value	10.39	131.13	58.64	200.16
Wholly owned				
Number	22	35	59	116
Value	65.42	29.78	70.51	165.71

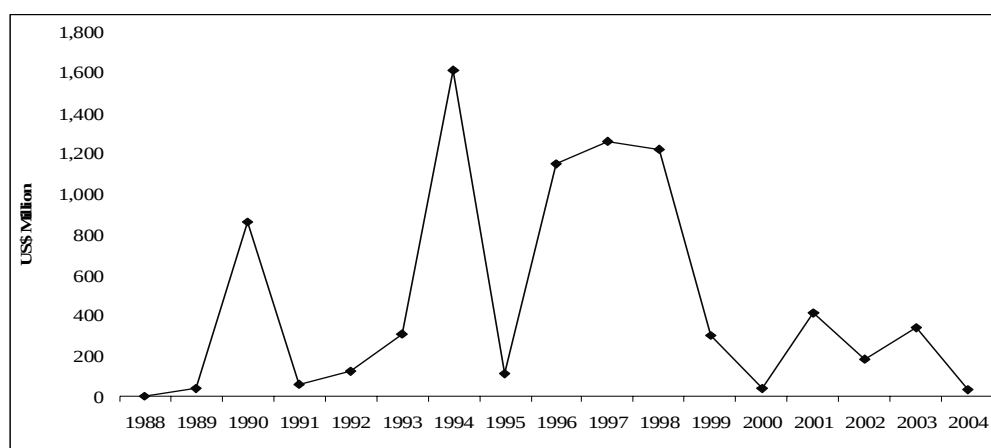


Figure 1. Capital Inflows to Laos, 1988-April 2004

Source: DDFIL (2004).

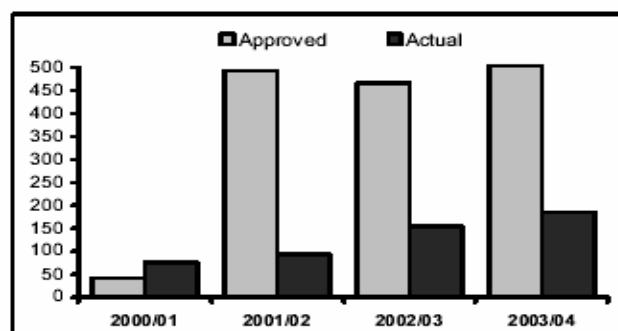


Figure 2. Approved and Actual Foreign Direct Investments in Laos (US\$ Million), 2000/01- 2003/04

Source: Original source: Lao authorities and World Bank staff estimates, Cited in WBG (2004).

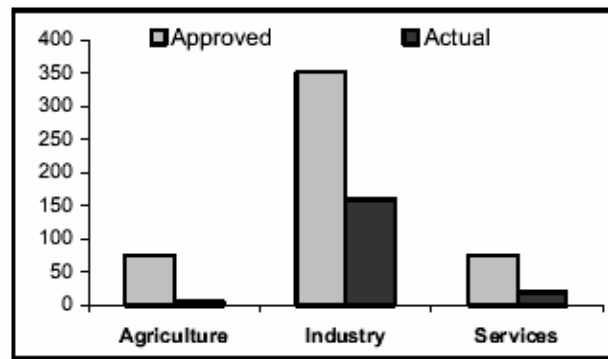


Figure 3. Approved and Actual Foreign Direct Investments by Sector (US\$ Million), 2003/2004
Source: Original source: Lao authorities and WBG staff estimates, Cited in WBG (2004).

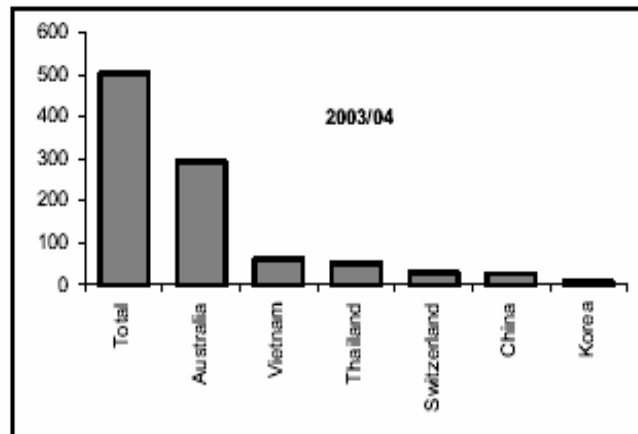


Figure 4. Approved Foreign Direct Investment in Laos by Source Country (US\$ Million), 2003/2004
Source: Original source: Lao authorities and WBG staff estimate, Cited in WBG (2004).

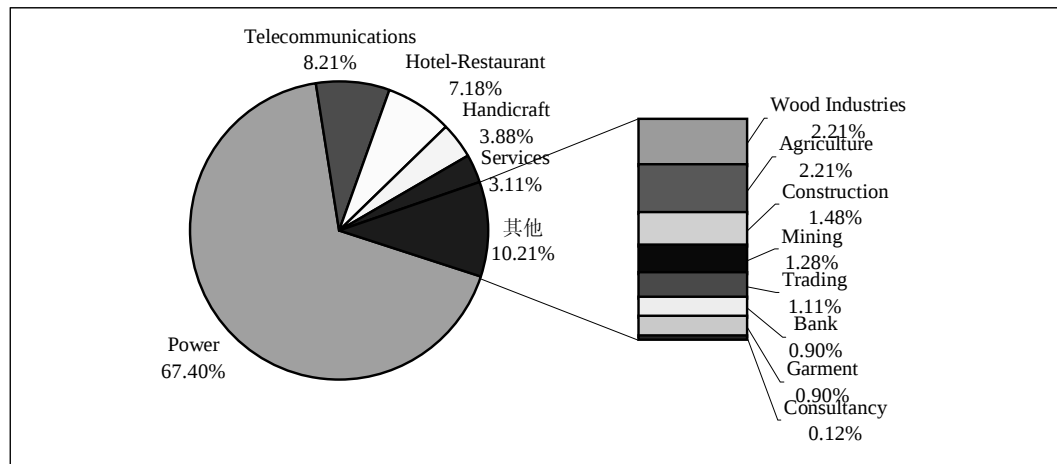


Figure 5. Composition of FDI Inflows to Laos by Sector, 1988-April 2004

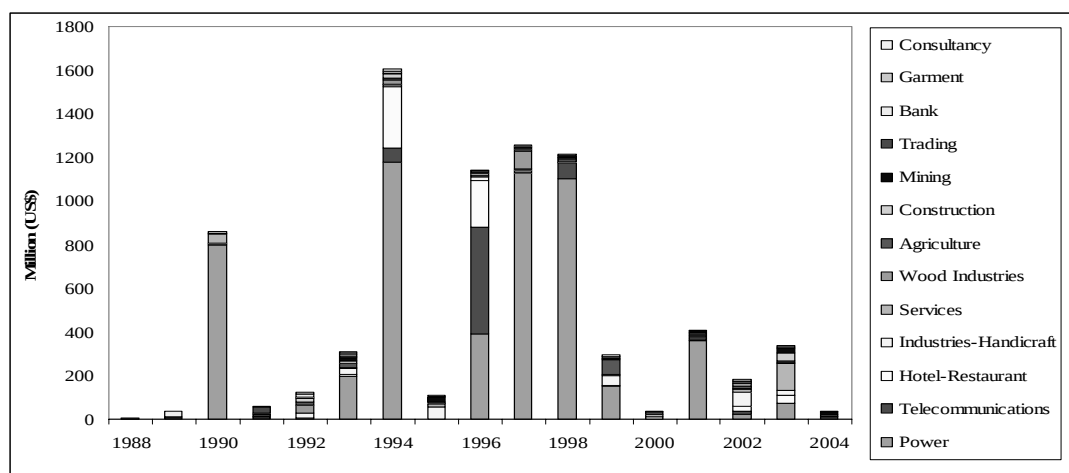


Figure 6. Annual FDI Inflows to Laos by Sector, 1988-April 2004

Source: DDFIL (2004).