

Laos

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Natural resources power growth

Chinese investment is supporting Laos' steady socioeconomic development

With abundant natural resources that the ambitious country continues to use as a solid platform for robust GDP growth and impressive socioeconomic development, the Lao People's Democratic Republic, more commonly known as Laos, is making steady progress towards its goal of middle-income country status by 2020.

Inflows of foreign direct investment (FDI) reached \$1.8 billion in 2012 as foreign enterprises raced to take advantage of Laos' high Gross Domestic Product (GDP) growth rate and government reforms designed to promote business, create jobs, improve infrastructure, increase the provision of social services and reduce poverty levels.

Key areas of interest include gold and bauxite mines, power generation and forestry; sectors that benefit from access to the mighty Mekong River.

Bordered by five countries, including China, Laos is home to 6.6 million people, around two-thirds of which live in rural areas. Traditionally, Thailand, Vietnam and China have been the largest investors, but China this year became the leading source of FDI with more than \$5.1 billion invested in total, of which around a quarter was invested in 2012-2013.

The country's untapped investment potential is certain to be a major talking point at the Annual

Meeting of the New Champions in the Chinese city of Tianjin on September 10-12, when delegates discuss the next generation of fast-growing enterprises.

Chinese organizations and investors are also supporting Laos' efforts to improve its regional connectivity through the construction of new transport infrastructure like a multi-billion high-speed rail link project with China. Partly funded by a \$7.2 billion loan from the state-owned Export-Import Bank of China, the railroad will carry both freight and passengers and is expected to further boost trade between Laos and China. Trade reached more than \$2.7 billion in 2013, up nearly 30 percent on the previous year.

The state-of-the-art link will not only boost trade for Laos, but the whole region and further strengthen the country's trade ties and convert Laos from a land-locked country, to a land-linked nation. China exported more than \$1 billion of goods to Laos last year, a 50 percent increase on the 2012.

A \$5 billion railroad will also be built to Thailand and Vietnam to improve regional integration, and trade figures are set to soar again again following agreements signed in July that will see improved technological and economic cooperation between the countries, some 53 years after bilateral relations were first established.

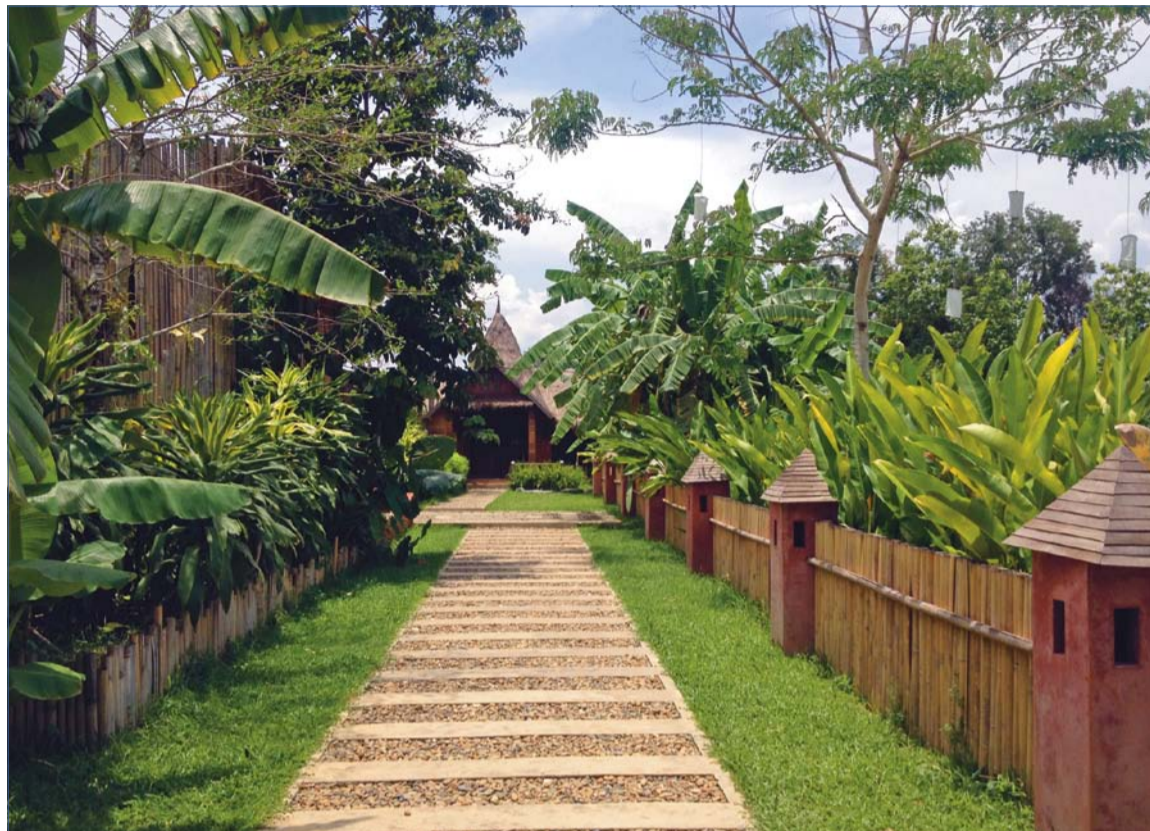


Chinese investment in Laos has been increasing annually and includes areas such as electricity, mining and agriculture."

SOMSAVAT LENGSAVAD
DEPUTY PRIME MINISTER

The deals followed talks between Xi Jinping, General Secretary of the Central Committee of the Communist Party of China and Chinese President, and Choummaly Saygansone, General Secretary of the Central Committee of the Lao People's Revolutionary Party and President of Laos, in Beijing.

Investors will also benefit from the country's memberships of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Economic Community. In early 2013, Laos completed a 15-year journey to full member status of the World Trade Organization (WTO)



Green Oasis: Laos is a natural investment choice

PHOTO PROVIDED TO CHINA DAILY

which increased its integration in the regional and global economy.

Laos' Deputy Prime Minister, Somsavat Lengsavad, is eager to highlight the importance of enhanced access to lucrative global markets and the vital role China is playing in pushing development forward.

"Laos is strategically located at the center of a region that has experimented the highest growth," Somsavat said. "ASEAN is changing with China and this trade volume is enormous. Laos and China have good cooperation. Our bilateral trade has been growing steadily

and Chinese investment in Laos has also been increasing annually and includes investment in areas such as electricity, mining and agriculture.

"In addition, China is assisting Laos with loans and grant assistance. Some loans are provided for the construction of roads, bridges and hospitals. Sino-ASEAN relations are also expanding. Laos is lucky to have a border with China. The latter is a fast-growing country and because we have good bilateral relations it is good for us."

When asked what the government is doing to attract fresh investment, the senior politician replied:

"Economic development is a priority and this has to go toward a market oriented approach.

"We promote all sectors equally, and we support FDI as the last 20 years have shown good outcomes. The last two years we've seen annual GDP growth of at least seven percent. One of our priorities is to develop human resources, without them it is impossible to develop the country. The purpose of economic development is to benefit people.

At the same time, people drive the economy, so it has to go together."

InFocus provided the story

Hydroelectric projects will galvanize development

Laos on track to become the "Battery of Southeast Asia"

Given its plentiful water resources and strategic location at the heart of south-east Asia, Laos' energy generation capacity is concentrated on hydroelectric power stations that produce clean and renewable electricity for domestic users and for export to several neighbors.

With a wealth of rivers and waterways in the Mekong Basin, Laos wants to become the "Battery of Southeast Asia" by exporting electricity from an energy sector that has grown steadily and attracted substantial FDI in the past decade.

Billions of dollars more have been earmarked for the industry under the 2012-2022 Long-Term Power

Development Plan.

The government has afforded the power sector priority status due to its importance for infrastructure and socioeconomic development, highlighted by the expansion of the village electrification plan that is boosting living standards for people in rural areas. By 2020, the government aims to provide electricity to 90 percent of Laos households and these efforts are well ahead of scheduled with 88 percent of households already reached.

Meanwhile, the national hydro-power development plan features more than 70 large new dams, of which around a dozen are already

under construction and more than double that number are presently in the planning stage.

"We have many water and natural resources and more than a third of the water in the Mekong River flows from other river and there is potential for us to do additional hydro-power projects, which are already a very important source of revenue," said Laos Deputy Prime Minister, Somsavat Lengsavad.

"Before construction of any dam project the government makes sure that the social and environmental impact is assessed properly. One of our projects that received funds from the World Bank has turned out to be a model project when it comes to hydroelectric energy. Currently, Laos is in the process of building other plants along the Mekong River."

Spearheading innovation and

growth in the industry is Electricité du Laos (EDL), a progressive corporation that operates under the Ministry for Energy and Mines. The organization owns and operates the country's main generation, transmission and distribution assets and manages electricity imports into its grids and exports from its stations.

Sisavath Thiravong, EDL Managing Director and CEO, outlines his company's responsibilities and project portfolio.

"The energy sector is very important and every year our need for power increases," he said. "Luckily, Laos has many natural resources and this has allowed us to develop more than 100 power projects and our capacity is now more than 20,000 megawatts.

"Hydroelectric power is a very clean and seen as the energy of the future. It is also relatively cheap.

For the long term, it provides good income for the country. We need different sources of energy and link energy capabilities within the region.

"We can supply energy but are looking for new alternatives. Because our population is not large we can produce power for the national economy and supply other countries in the region. As we continue to produce more electricity we want to take our energy and sell it to other countries."

The senior executive emphasizes his company's overwhelming objective is to improve the quality of living for the country's citizens and highlights how the firm is learning about best practices from other countries such as China and trying to minimize any negative environmental or social impact surrounding new projects.

"Laos and China are really close,"

he stated. "At the moment, we work with many Chinese companies since they have the technology and experience. For EDL, it is to continue to continue our fast grow at the pace of rapid demand. If we finish our entire projects we can get more benefits. This is positive for us and the country.

"We need more investment and are looking to become stronger in the next 5-10 years. Afterwards, we will try to export our energy.

"We have lots of resources. We just have to make sure that how we develop them keeps in mind the country and the people. We need to think about the long term. We need to grow, but also to improve people's quality of life.

"We can be the gateway to other Asian countries for China."

InFocus provided the story

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BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

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Transparency, good service and excellent customer care are the cornerstones that our foundations were built on

A dynamic and highly-respected force in the diverse range of sectors in which it operates, S.T. Group Co. Ltd is a key player in Laos' economy in areas including imports and exports, power generation, mining, tobacco and beverage production, hotels and resorts and gaming and entertainment.

Sithat Xaysoulivong
ST Group President

ST Bank

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Tourism gems offer green light to growth

FDI in the mining and energy sector boosts the banking and financial services industry

The importance of the mining and energy sectors to Laos' economic performance and socio-economic development cannot be over-emphasized, with the mining industry receiving 27 percent of all FDI in 2012, followed by the power sector with a 25 percent share.

Rare metals like gold, silver and copper are a major source of foreign earnings and mining operations remains an attractive area of investment to international investors seeking solid returns, despite the volatility of commodity prices.

Several major hydroelectric projects are currently under construction and plenty more are planned with the help of foreign investors as Laos seeks to export its surplus electricity to fund domestic infrastructure growth.

Viraphonh Viravong, Laos' Vice Minister of Energy and Mines expects the sector to continue to generate 25-30 percent of total GDP and is eager to highlight the success of the past decade during which the industry achieved every target it was set. He underlines the importance of private and foreign companies in the pursuit of the sector's short, medium and long-term goals.

"In the current development plan, we are seeking the involvement of the private sector," he said. "If you look at most of the projects in Laos, they involve the private sector. We are very confident this will continue and we are also hoping to continue to develop megaprojects. These are not for Laos's consumption, only 5-10 percent will be used within the country. Most of the energy generated is sold abroad. The energy sector will also indirectly benefit other sectors."

Vice Minister Viraphonh

describes Laos as one of the most energy interconnected countries in the world and says risks have been minimized through the sale of energy to several countries, rather than just one or two. "We have been very successful in developing our natural resources and exceeded even the most optimistic forecasts. I am very proud we have fostered interconnection among the ASEAN countries and have showed the path to further integration. This has brought stability, trust and peace to the region.

"We are generating choices for the next generation and are looking to raise sustainability levels in both mining and energy and working to facilitate regulation and make it more transparent. Turning to the mining industry, the minister stated even though operations and activities are not as widespread, they contribute more to GDP because of the high prices of precious metals.

"Copper and gold contribute more to GDP than hydropower, but we have lots of small mining projects that are difficult to control so want to have everything under the same umbrella, yet this takes a lot of time," Vice Minister Viraphonh added. "Since most mining done at the moment is the easiest to extract, longer term projects will demand much more money. We give very attractive concession period packs to international investors and are very flexible with investments."

Of course, such FDI requires the help and support of banking and financial institutions who provide a modern platform for financial inflows and outflows and facilitate additional economic matters like grants and loans provided by foreign countries and international organizations.



View across the Nam Song river

PHOTO PROVIDED TO CHINA DAILY

Established nearly 40 years ago, Banque Pour Le Commerce Extérieur Lao Public (BCEL) was originally dedicated to fiscal matters involving the government but in recent years the institution has been transformed into a full commercial bank, one of over 30 commercial banks currently active in Laos.

BCEL's activities continue to grow gradually and strengthen in various fields including size of assets, deposits, loans and number of clients. In Laos, BCEL has 18 branches, 20 service units and 10 foreign exchange service offices. BCEL has more than 100 correspondent banks worldwide. The group's main objective is to benefit its customers and support the government's economic policy by improving, developing, modernizing and expanding its services domestically as well as abroad. Its services comprise deposits, loans, issuing of bank guarantees, internal and international payments, issuing

and service of BCEL's ATM cards and credit card services. BCEL is the partner of choice for international enterprises seeking business opportunities and joint ventures in Laos, with the bank rightly proud of its role as a symbol of leadership and transparency.

"BCEL is the leading bank in Laos and we strongly contributed to the private sector growth in terms of providing banking services, such as loans to the business sector," explained BCEL General Managing Director, Vanhkhamb Voravong. "As the state-owned commercial bank we don't have a particular sector or area that we will specifically look at, but serve general lending for trading, import-export, and the trading of agriculture product. We also finance the power sector and services sector and have our network of branches, so some small and medium-sized enterprises (SMEs) can also access our finance and boost

financial inclusion."

The government's recent move towards a more market-oriented economy and economic liberalization and diversification has created plenty of growth opportunities for state-run firms and ambitious privately-owned enterprises.

A key contribution

A multi-business company established in 1994, S.T. Group Co., Ltd. boasts a broad range of business activities such as import-export, duty free, power generation, mining, tobacco, wood, beverage production, construction, hotel and resorts and gaming and entertainment. The company also leases some of its real estate to other businesses and provides ideas and advice to potential investors.

This approach means ST Group does not only benefit from Laos' economic development, but is a key contributor. The company has



BCEL is the partner of choice for international enterprises seeking business opportunities and joint ventures in Laos."

VANHKHAMB VORAVONG
BCEL GENERAL MANAGING DIRECTOR

formed multiple affiliations and joint ventures with foreign investors. In addition, the group's ST Bank is one of the only privately-owned banks in Laos.

"ST Bank provides good service and excellent customer care," said Sithat Xaysoulivong, S.T. Group President. "We are open to new technology and are working and researching every day to be the leading bank with innovative ideas. We provide faster service than our competitors and are cooperative, convenient and attractive to clients. We are already pursuing partnerships with Chinese companies and are planning a joint venture to invest in a hydroelectric power project.

"We are also directly involved in gold and coal mining. Our vision is to expand our business to Asian countries and expand our business globally."

InFocus provided the story

Laos tourism takes-off

Record numbers of visitors flock to Laos

Named the world's best tourism destination for 2013 by the European Council on Tourism and Trade, Laos offers visitors an outstanding historical and cultural experience through a combination of its century-old traditions and heritage, lush landscape, rare flora and fauna and welcoming hospitality.

Leading attractions include UNESCO World Heritage Site Wat Phu — one of the oldest archaeological and religious sites in Laos and southeast Asia that boasts a stunning temple and buildings dating back centuries. Such wonderful sites brought nearly four million tourists to Laos in 2013, driven by a huge rise in visitor arrivals from China. Tourism officials expect that figure to continue to grow at a solid rate, meaning the sector is ripe for investment, particularly in areas such as hotels, restaurants and transport services.

Lao Airlines is the national airline of Laos and operates domestic as well as international services to

countries like China (Guangzhou, Jinghong and Kunming), Cambodia, Thailand, Vietnam, and Singapore. The airline's main operating base is Wattay International Airport in Vientiane. The state-owned firm's operations and activities are overseen by the Ministry of Public Works and Transport.

"We share a historically intense collaboration with China and our governments have looked to reinforce these similarities at the highest level," said Bounchanh Sinthavong, Minister of Public Works and Transport.

"There are many focuses in our Ministry, of which the most important is the safety of our transport. Through China we can learn a lot from their technologies to make our infrastructure safe."

To handle the increasing number visitors, Lao Airlines is embarking on an expansion plan through major investment in new aircraft and new routes to the Middle East, Japan, Taiwan and Malaysia.

"Air transport is playing a very important role in our country, especially with the growth in the tourism sector," stated Somphone Douangdara, President and Chief Executive Officer of Lao Airlines. "We believe that Laos can become an important player in the region and a transportation hub. Many people are coming to our region. I believe Laos is still undiscovered and that people do not know the true Laos."

Switching the spotlight to his airline's growing reputation and increasing number of code shares and routes, the senior executive emphasized the operator aims to be both a business and tourist airline and is targeting the Chinese market in particular.

"China is a huge market and we are a small carrier. We are trying to opening more routes and having charter flights to different cities. We have opened a sales network for the Chinese market and this means we will increase our opportunities in China. We have to understand that China has a very large population that likes to travel. We have to try to make them fly to Laos instead of further south to other countries."

InFocus provided the story



At the center of South East Asia

As the bilateral relationship between Laos and China soars to new heights, so does the reputation of national airline Lao Airlines State Enterprise which is helping the ambitious south east Asian-country's economy take-off. Boasting a modern and comfortable fleet of 14 aircraft, the 25-year-old airline is playing a pivotal role in the nation's journey to a regional transportation and transit hub. The airline operates three routes to China and expects to carry one million passengers across its fast-growing network in 2015.

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ASEAN integration boosts trade

The flow of goods and services to and from Laos is set to surge

The imminent integration of Laos into the ASEAN Economic Community (AEC) will give the country a solid platform on which to develop its already fast-growing trade and industry sectors, particularly for firms involved in the agriculture sector and those with activities based on natural resources.

Next year's AEC membership will create a single regional market with 600 million consumers, and government officials are certain access to this vast common market will be of particular benefit to SMEs as it opens up a wealth of business opportunities.

In addition, AEC membership will further enhance the appeal of Laotian companies of all sizes to foreign investors and give the "Made in Laos" brand a further push forward.

To facilitate the fluid movement of goods to and from Laos, the government is investing heavily in modern new transport infrastruc-

ture, such as highways and railroads, as the Minister for Public Works and Transport, Bounchanh Sinthavong, explained:

"Government policy is to foster the links between our neighbors and this means we need to strengthen the roads and infrastructure. We are building six routes with a total length of 2,535 kilometers and these roads will provide lots of services to neighboring countries. These projects are a long term investment."

One of the most ambitious transport projects in Southeast Asia, the proposed 470-kilometer passenger and freight rail link between Kunming and Vientiane is set to give the green light to further bilateral trade growth between China and Laos.

"The Chinese and Laos governments have already agreed to this project," Minister Bounchanh added.

"Studies for this project are basically drawn and finished. This is a massive investment, and as a joint investment, there are several details we still need to finalize. We also expect that beyond the collaboration between both governments, the private sector of each country will be involved. The national assembly has already approved this project so it is on its way."

Improving speed to market

According to Deputy Prime Minister Somsavat Lengsavad, this wave of infrastructure development will

import-export company, Dao-Heuang Group (DHG) has grown into one of the largest and most progressive companies in Laos. DHG is rapidly expanding and with an enviable reputation for developing high quality brands of international standard, the company is well positioned to take advantage of AEC membership.

Over the past 16 years, DHG has diversified into other products and begun exploring opportunities for the production of coffee, tea, agricultural products and industrial goods.

Quality versus quantity

In 2008, the ambitious group entered the service industry for hotels and food and beverages establishments.

Two years later, it signed a series of international partnership agreements to grow, refine, and package its coffee in a factory — a move that saw the entire coffee supply chain based in Laos.

"We have been working with our partner in China and are producing coffee for them to sell under their own brand as well as our brand," said Boonheuang Litdang, DHG Vice President. "We launched this business two years ago and attend every expo in China — a country where we want to be, given its huge population."

"We would like Chinese people to give our product a chance. We focus mainly on coffee because we see the size of the potential growth - 10-20 times from the current level. At the same time, we also have other products like dry food, water and soon we will come up with a new product in the support of coffee business."

Litdang acknowledged her company faces tough competition from other coffee-producing nations but

popular PKK Furniture business, PPC Group's diverse range of interest include consultancy and construction, manufacturing, imports and exports and mining.

Established less than a decade ago, PKK is eager to team up with Chinese companies and investors to take advantage of their vast commercial and manufacturing experience for the production of value-added, finished goods, as well as training opportunities for its young workforce.

"With the Laos government guaranteeing members of the national furniture association 30 percent of all wood sourced in the country, the company is well placed for further export growth through AEC integration and improved transport links."

"We have gained so much experience and learned so much from the Chinese in terms of knowledge and various skills," commented

PPC Group Chairman of Consulting Board, Somkiat Phasy, added: "Our vision is to become well known internationally, so we need to plan our long term goal for the business and work parallel with the government. We hope to contribute to the achievement of Laos' Millennium Development Goals in 2020."

InFocus provided the story

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PHOTO PROVIDED TO CHINA DAILY

Building Bridges: Deeper ASEAN integration will improve transport links

said Laos' focus on the type of coffee grown rather than the quantity distinguishes it from its rivals as the premium taste is a major competitive advantage.

"Vietnam is one of the largest coffee exporters in the world, but it is focused on Robusta coffee, whereas Laos is concentrating on producing smaller quantities of the better quality Arabica coffee," the senior executive explained.

"We will keep expanding just like we are doing with our distributors to help each other to grow, the way we expand our business. The ASEAN countries are our main focus."

"We want to build up the brand, which is the family brand, and make it well known throughout ASEAN countries."

Learning from China

An indigenous industrial company mainly focused on furniture processing and exports through its

“We have been working with our partner in China and are producing coffee for them to sell under their own brand.”

BOONHEUANG LITDANG
VICE PRESIDENT, DAO-HEUANG GROUP

MAKING THE ELEMENTS WORK FOR US

In emerging economies, reliable and affordable power is a key part of the development process. Electricité du Laos (EDL) is therefore playing an integral role in the generation, transmission and distribution of electricity—building the infrastructure needed and working with other ASEAN countries on sustainable energy solutions that will ultimately see Laos step-up to combat poverty and fulfil its substantial potential as a nation.

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