

Lao PDR Country Report

LEGAL SYSTEM OVERVIEW

There is a moderate risk of corruption in the judicial system and bribery is widespread. Political interference is a problem for businesses, the judicial system is formally independent but is in practice subject to the ruling LPRP party.

Laos's legal system does not meet the needs of a modern market. Legally, contractual rights are provided for however, in practice companies struggle with political interference. Even though there are commercial courts in place, legal administrators lack training and knowledge. Achieving justice against arbitrary government decisions is not always efficient. Given the low capacity of the judicial system, arbitration outside Laos can prove to be more efficient.¹ Laos is not a member state of the International Centre for the Settlement of Investment Disputes. It signed the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) but has not yet been asked to enforce a foreign arbitral award.²

Laos has many laws against corruption that are in place, but they lack enforcement. The Law Against Corruption criminalizes public sector abuse of power, embezzlement, passive bribery and fraud. In 2015, the Law on Anti-Money Laundering and Combatting the Financing of Terrorism took effect, requiring companies to provide information on and to act against money laundering and the financing of terrorism. Companies must now perform due diligence on customers before entering into a business relationship.

Only a few officials of lower positions have been prosecuted under the existing anti-corruption law. No appointed or elected officials are under any legal obligation to disclose their assets or income. Laos has ratified the UN Convention on Anti-Corruption but has not signed the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.³

BUSINESS OVERVIEW

Laos is the 131st largest export economy in the world and the 115th most complex economy according to the Economic Complexity Index (ECI).

The top exports of Laos are Copper Ore (\$557m), Rubber (\$193m), Gold (\$155m), Rough Wood (\$137m) and Non-Knit Men's Suits (\$86.4m). Its top imports are Broadcasting Equipment (\$134m), Delivery Trucks (\$94.6m), Iron Structures (\$90.2m), Other Steel Bars (\$87.8m) and Hydraulic Turbines (\$85.6m).

The top export destinations of Laos are China (\$1.1b), India (\$242m), Japan (\$146m), the United States (\$90.6m) and Germany (\$89.5m). The top import origins are China (\$1.34b), Japan (\$122m), South Korea (\$92.1m), Austria (\$54.4m) and the Czech Republic (\$41.3m).⁴

¹ Laos Corruption Report, <https://www.ganintegrity.com/portal/country-profiles/laos/>

² Laos Corruption Report, <https://www.ganintegrity.com/portal/country-profiles/laos/>

³ Laos Corruption Report, <https://www.ganintegrity.com/portal/country-profiles/laos/>

⁴ Laos, <https://oec.world/en/profile/country/laos/>

Laos ranks 154th in ease of doing business,⁵ 110th on index of economic freedom 2019⁶ and 124th on global index of economic openness.⁷

Companies face a high risk of corruption when acquiring permits, licenses or other public services. Extra payments are sometimes exchanged, and bribes are given to approve or expedite applications in public utilities. Wages of government officials are very low, which can tempt some to engage in corruption. The public service is highly politicised, and the recruitment of administrative personnel is tainted by favouritism and political backing. Even if civil servants are adequately capable, they are unlikely to take any decisions that would go against political priorities.

Complying with government regulations can be challenging as they are often vague and even conflicting. The realities of doing business often fail to correspond with existing legislation and regulations because of weak implementation and enforcement of the law.⁸

COUNTRY OVERVIEW

Laos is officially known as the Lao People's Democratic Republic. Laos is bordered by Myanmar (Burma) and China to the northwest, Vietnam to the east, Cambodia to the southwest, and Thailand to the west and southwest. The major languages of Laos are Lao and French⁹ and the main religion is Buddhism.¹⁰ Bounhang Vorachit was appointed president by the National Assembly in April 2016.¹¹

Laos is one of the world's few remaining communist states and one of East Asia's poorest.¹² Laos was a French colony until the 1953. The power struggle which ensued between royalists and the communist group Pathet Lao which saw the country caught up in the Vietnam War. Communist forces overthrew the monarchy in 1975, heralding years of isolation.¹³ After the fall of the Soviet Union in the 1990s, Laos began opening up to the world. But despite economic reforms, the country remains poor and heavily dependent on foreign aid.¹⁴

Laos ranks 171th on the World Press Freedom index 2019.¹⁵ The ruling Lao People's Revolutionary Party (LPRP) maintain strict control over the media. The government owns all newspapers and broadcast media.

Slandering the state, distorting party policies and spreading false rumours are all criminal offences.¹⁶ Although government-regulated media frequently point to corruption, it does so without mentioning names.¹⁷ The restrictions imposed on the media means Laotians are turning to the Internet and social media. But use of online news and information platforms is held back by a 2014 decree under which Internet users who criticize the government and the Marxist-Leninist LPRP can be jailed. The same decree also forces Internet users to systematically identify themselves by the name they have

⁵ Lao PDR, <https://www.doingbusiness.org/en/data/exploreeconomies/laos-pdr>

⁶ Country rankings, <https://www.heritage.org/index/ranking>

⁷ Global index of economic openness, [file:///Users/sumitasaini/Downloads/GIEO-2019-2%20\(1\).pdf](file:///Users/sumitasaini/Downloads/GIEO-2019-2%20(1).pdf)

⁸ Laos Corruption Report, <https://www.ganintegrity.com/portal/country-profiles/laos/>

⁹ Laos country profile, BBC, <https://www.bbc.co.uk/news/world-asia-pacific-15351898>

¹⁰ Laos country profile, BBC, <https://www.bbc.co.uk/news/world-asia-pacific-15351898>

¹¹ Laos country profile, BBC, <https://www.bbc.co.uk/news/world-asia-pacific-15351898>

¹² Laos country profile, BBC, <https://www.bbc.co.uk/news/world-asia-pacific-15351898>

¹³ Laos country profile, BBC, <https://www.bbc.co.uk/news/world-asia-pacific-15351898>

¹⁴ Laos country profile, BBC, <https://www.bbc.co.uk/news/world-asia-pacific-15351898>

¹⁵ Reporters without borders, <https://rsf.org/en/laos>

¹⁶ Laos profile-media, <https://www.bbc.co.uk/news/world-asia-pacific-15353971>

¹⁷ Laos Corruption Report, <https://www.ganintegrity.com/portal/country-profiles/laos/>

registered with the authorities. A decree by the prime minister that took effect in January 2016 allows foreign media to set up office in Laos on the condition that they submit their content to LPRP censorship. So, only the Chinese news agency Xinhua and the Vietnamese news agency Nhan Dan have opened offices in Vientiane.¹⁸

¹⁸ Reporters without borders, <https://rsf.org/en/laos>