

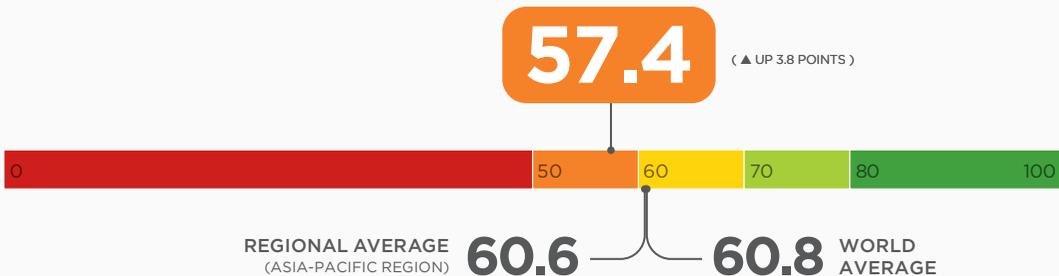
LAOS

Laos's economic freedom score is 57.4, making its economy the 110th freest in the 2019 *Index*. Its overall score has increased by 3.8 points, with a significant increase in **trade freedom** and higher scores for **government spending, fiscal health, labor freedom, and property rights** far surpassing a decline in **business freedom**. Laos is ranked 24th among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The government professes a desire to achieve upper-middle-income status by 2030, but the business environment remains opaque. Politically connected vested interests block entry into some sectors, and actions to increase state control (for example, by reducing land concession tenures) do not inspire investor confidence. Deeper institutional and systemic reforms are needed to overcome such obstacles to economic freedom as weak property rights, pervasive corruption, burdensome bureaucracy, and government interference and regulatory controls.

WORLD RANK: **110** REGIONAL RANK: **24**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

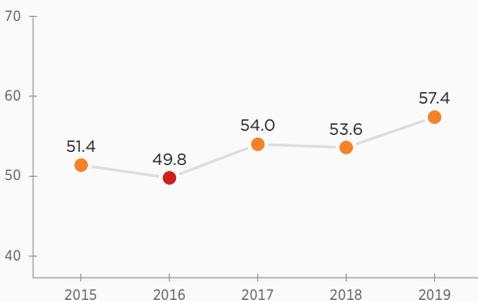


RELATIVE STRENGTHS:
Tax Burden and Government Spending

HISTORICAL INDEX SCORE CHANGE (SINCE 1996):
+18.9

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
6.7 million

GDP (PPP):
\$49.2 billion
6.8% growth in 2017
5-year compound annual growth 7.4%
\$7,366 per capita

UNEMPLOYMENT:
0.7%

INFLATION (CPI):
0.8%

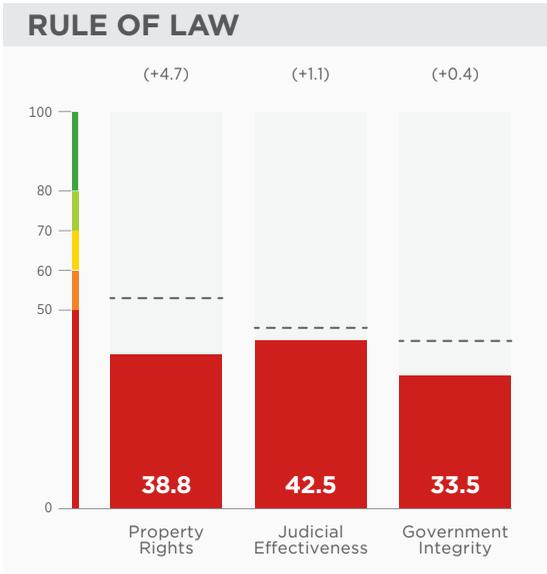
FDI INFLOW:
\$813.0 million

PUBLIC DEBT:
62.8% of GDP

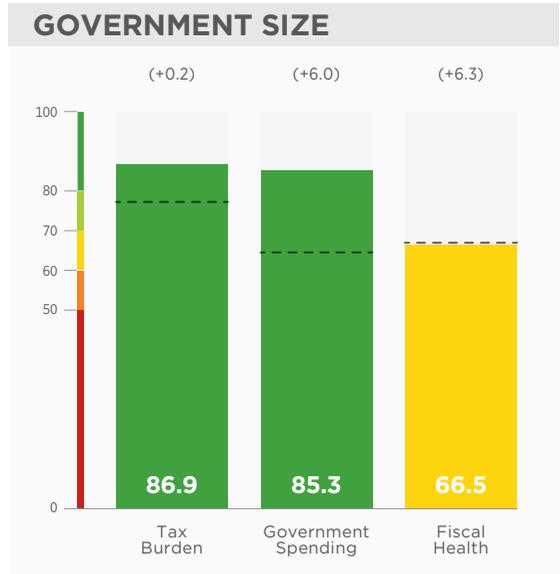
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Laos is a one-party state. The Communist government took power in 1975 and destroyed the economy in the early years of its rule. Minimal liberalization to advance its “state-managed, market-orientated economy,” begun in 1986, has yielded some progress, but civil liberties remain heavily restricted. The National Assembly elected 79-year-old Bounnhang Vorachith to a five-year term as president of Laos and general secretary of the Lao People’s Revolutionary Party in 2016. Approximately 80 percent of the rural population works in subsistence farming. The economy relies heavily on such capital-intensive natural resource exports as copper, gold, and timber. It also has benefited from high-profile foreign direct investment in hydropower dams along the environmentally sensitive Mekong River.

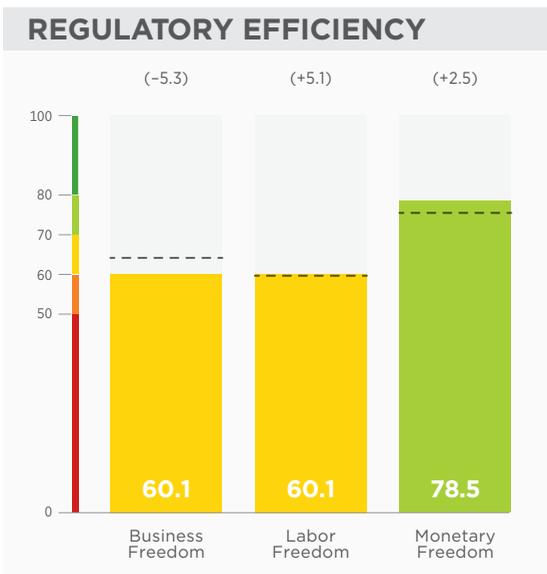
12 ECONOMIC FREEDOMS | LAOS



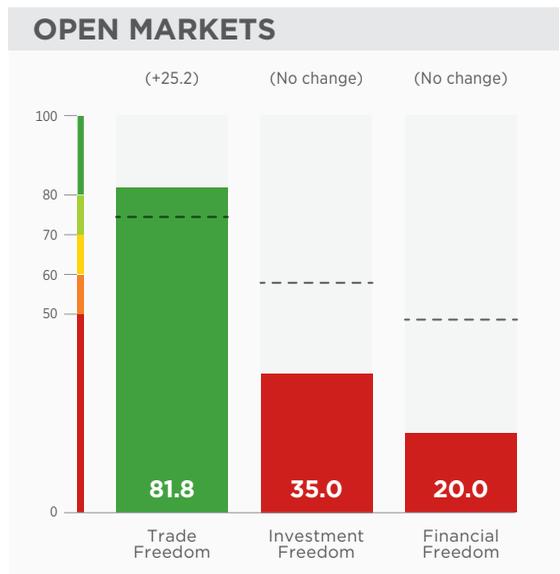
Protections for property rights are weak, titles are unclear, and some areas practice communal titling. The judicial system is inefficient, underdeveloped, corrupt, and controlled by the ruling party. Corruption and graft are often found among government officials in Laos. Despite passage of several anticorruption laws, enforcement remains weak, and no high-profile cases have ever been brought to trial.



The top personal and corporate income tax rates are 24 percent. Other taxes include vehicle and excise taxes. The overall tax burden equals 12.8 percent of total domestic income. Over the past three years, government spending has amounted to 22.1 percent of the country's output (GDP), and budget deficits have averaged 4.0 percent of GDP. Public debt is equivalent to 62.8 percent of GDP.



The poor regulatory infrastructure continues to impede private-sector development. The labor market does not promote flexibility or economic diversification and does not provide dynamic employment opportunities for the growing labor supply. The government influences many prices through subsidies and state-owned enterprises to advance its socialist "state-managed, market-orientated economy," especially in the hydropower and mining sectors.



The combined value of exports and imports is equal to 75.8 percent of GDP. The average applied tariff rate is 1.6 percent. As of June 30, 2018, according to the WTO, Laos had 12 nontariff measures in force. State-owned enterprises distort the economy, and foreign investors may not own land. The financial system is hampered by government involvement. About 32 percent of adult Laotians have an account with a formal banking institution.