LAOS

Laos’s economic freedom score is 53.9, making its economy the 141st freest in the 2021 Index. Its overall score has decreased by 1.6 points, primarily because of a decline in trade freedom. Laos is ranked 32nd among 40 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The Laotian economy remains mostly unfree this year. Greater economic freedom in Laos will be impossible until the government curbs corruption and significantly improves the protection of property rights, judicial effectiveness, and government integrity. Also needed are reforms to facilitate business freedom, investment freedom, and financial freedom.

IMPACT OF COVID-19: As of December 1, 2020, no deaths had been attributed to the pandemic in Laos, but economic growth was forecast to fall to 0.2 percent for the year.

ECONOMIC FREEDOM SCORE

- **ECONOMIC FREEDOM SCORE**: 53.9
- **REGIONAL AVERAGE (ASIA-PACIFIC REGION)**: 60.2
- **WORLD AVERAGE**: 61.6

HISTORICAL INDEX SCORE CHANGE (SINCE 1996): +15.4

RECENT FREEDOM TREND

- 2017: 54.0
- 2018: 53.6
- 2019: 57.4
- 2020: 55.5
- 2021: 53.9

QUICK FACTS

- **POPULATION**: 7.2 million
- **GDP (PPP)**: $57.1 billion
- **INFLATION (CPI)**: 3.3%
- **FDI INFLOW**: $557.2 million
- **PUBLIC DEBT**: 60.6% of GDP

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BACKGROUND: Laos is a one-party state. In the early years of its rule, the Communist government that took power in 1975 destroyed the economy. Minimal liberalization, begun in 1986, has yielded some progress, but civil liberties remain heavily restricted. In 2016, 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. According to the World Bank, Laos has one of the highest poverty rates in Southeast Asia. Approximately 80 percent of the rural population works in subsistence farming. The economy relies heavily on exports of such natural resources as copper, gold, and timber.
# Economic Freedom of the World: 2023

## Laos

### Rule of Law

<table>
<thead>
<tr>
<th></th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights</td>
<td>(-3.7)</td>
<td>(+0.3)</td>
</tr>
<tr>
<td>Judicial Effectiveness</td>
<td>(+2.5)</td>
<td></td>
</tr>
<tr>
<td>Government Integrity</td>
<td></td>
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</tr>
</tbody>
</table>

**Scores:**
- Property Rights: 38.8
- Judicial Effectiveness: 37.6
- Government Integrity: 34.5

*By law, the state owns all land. Protection of property rights is 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 serious problems among government officials in Laos. The government has developed several anticorruption laws, but enforcement remains weak.*

### Government Size

<table>
<thead>
<tr>
<th></th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Burden</td>
<td>(+0.1)</td>
<td></td>
</tr>
<tr>
<td>Government Spending</td>
<td>(+0.2)</td>
<td></td>
</tr>
<tr>
<td>Fiscal Health</td>
<td>(-2.2)</td>
<td></td>
</tr>
</tbody>
</table>

**Scores:**
- Tax Burden: 87.1
- Government Spending: 86.8
- Fiscal Health: 51.1

*The top personal and corporate income tax rates are 24 percent. Other taxes include an excise tax. The overall tax burden equals 11.5 percent of total domestic income. Government spending has amounted to 20.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.1 percent of GDP. Public debt is equivalent to 60.6 percent of GDP.*

### Regulatory Efficiency

<table>
<thead>
<tr>
<th></th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Freedom</td>
<td>(+0.4)</td>
<td></td>
</tr>
<tr>
<td>Labor Freedom</td>
<td>(+0.5)</td>
<td></td>
</tr>
<tr>
<td>Monetary Freedom</td>
<td>(-2.3)</td>
<td></td>
</tr>
</tbody>
</table>

**Scores:**
- Business Freedom: 54.7
- Labor Freedom: 59.1
- Monetary Freedom: 74.5

*The Village Chief Authority no longer requires proof of business location for registration of businesses, and applying for electricity has become less time-consuming. The power supply is also more reliable. Employment contracts are required by law but seldom used. The government influences many prices through subsidies and state-owned enterprises to advance its socialist “state-managed market-orientated economy.”*

### Open Markets

<table>
<thead>
<tr>
<th></th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Freedom</td>
<td>(-14.2)</td>
<td></td>
</tr>
<tr>
<td>Investment Freedom</td>
<td>(No change)</td>
<td></td>
</tr>
<tr>
<td>Financial Freedom</td>
<td>(No change)</td>
<td></td>
</tr>
</tbody>
</table>

**Scores:**
- Trade Freedom: 67.8
- Investment Freedom: 35.0
- Financial Freedom: 20.0

*Laos has eight preferential trade agreements in force. The trade-weighted average tariff rate is 8.6 percent, and 12 nontariff measures are in effect. State-owned enterprises distort the economy, and layers of government restrictions hinder more dynamic foreign investment. The financial sector is subject to state involvement and undermined by politically connected vested interests. About 30 percent of adult Laotians have formal banking accounts.*