

Laos

Greater Mekong Subregion's strategic land bridge connecting China and Southeast Asia
via the China-Laos Railway

Investment Cooperation Guide -- Laos (2026 Edition) | Published by AERI

Introduction

Laos is a landlocked country in the heart of the Greater Mekong Subregion, strategically positioned between China, Myanmar, Thailand, Cambodia, and Vietnam. AERI's research reveals that Laos, underpinned by political stability, rich natural resources, and its strategic location as a land bridge connecting China with Southeast Asia, is emerging as an important node in the Belt and Road Initiative.

In 2024, Laos' GDP reached approximately USD 16 billion, with year-on-year growth of 4.5%. Per capita GDP stood at approximately USD 2,170. The national population is approximately 7.7 million, with a median age of around 24. Total trade volume reached approximately USD 15.5 billion.

China-Laos bilateral trade reached USD 7.5 billion in 2024. China is Laos' largest source of foreign investment and second-largest trading partner. The China-Laos Railway, which began operations in December 2021, has fundamentally transformed connectivity between the two countries, reducing travel time from Kunming to Vientiane from over 20 hours to approximately 10 hours.

AERI believes that Laos' core investment value manifests at three levels: first, strategic location as the only land bridge connecting China with Southeast Asia, enhanced by the China-Laos Railway; second, abundant natural resources including hydropower potential, minerals, and agricultural land; third, preferential trade access through least-developed-country status, providing duty-free and quota-free access to major markets including the EU and Japan.

This guide provides a systematic introduction to Laos' political and economic overview, investment policies and regulations, China-Laos economic and trade cooperation, corporate financing channels, compliance and dispute resolution, and essential information on living and working in Laos.

Preface

The Asia Economic Research Institute (AERI) is a professional institution dedicated to regional economic research in Asia. To thoroughly implement the Belt and Road Initiative and help Chinese enterprises better understand the investment environment and opportunities in Laos, we have compiled this guide based on authoritative data sources.

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Part I: Laos Overview

AERI Assessment

AERI notes that Laos presents unique investment opportunities as the only landlocked country in Southeast Asia that shares a border with China. The China-Laos Railway has dramatically improved connectivity, making Laos a strategic logistics hub. However, challenges include limited infrastructure, a small domestic market, and a developing institutional framework.

1. Country Profile

Laos is located in the heart of the Indochina Peninsula, bordered by China to the north, Myanmar to the northwest, Thailand to the west, Cambodia to the south, and Vietnam to the east. Total land area is approximately 236,800 km². It is the only landlocked country in Southeast Asia. The Mekong River forms most of the western border with Thailand.

Climate: Tropical monsoon climate with distinct wet (May-October) and dry (November-April) seasons. Average temperature 25-30degC.

Population: Approximately 7.7 million (2024). The population is predominantly young, with approximately 60% under 30 years of age. The Lao ethnic group accounts for approximately 55% of the population.

Capital: Vientiane, the largest city with approximately 950,000 residents, serves as the political, economic, and cultural centre.

Administrative Divisions: 17 provinces (khoueng) and the Vientiane capital prefecture.

Laos operates as a socialist republic under the one-party rule of the Lao People's Revolutionary Party (LPRP). The President is the head of state, and the Prime Minister is the head of government. The National Assembly is the legislative body. The current President is Thongloun Sisoulith, who also serves as General Secretary of the LPRP.

Foreign Relations: Laos is a member of the UN, ASEAN, WTO, and RCEP. Laos maintains close relations with China, Vietnam, and Russia.

Ethnic Groups: 49 recognised ethnic groups, broadly categorised into Lao Loum (lowland), Lao Theung (midland), and Lao Sung (highland). The Lao ethnic group constitutes the majority.

Languages: Lao is the official language. French is used in government and diplomacy. English proficiency is growing, particularly among younger generations. Chinese is increasingly common in border areas and

business.

Religion: Theravada Buddhism is practised by approximately 65% of the population. Animist beliefs are common among ethnic minority groups.

Currency: Lao Kip (LAK). Exchange rate approximately 21,000 LAK per USD. Thai Baht and US Dollars are also accepted in many commercial transactions.

2. Economic Overview

Laos' GDP grew by 4.5% in 2024, reaching approximately USD 16 billion. The economy is driven by natural resource extraction, hydropower exports, and growing services sector. Inflation has been a concern, reaching approximately 25% in 2023 but declining to approximately 15% in 2024. The Kip has experienced significant depreciation against the USD.

- Agriculture: Approximately 16% of GDP, employing about 65% of the workforce. Key products include rice, coffee, and rubber
- Industry: Approximately 32% of GDP, dominated by mining (copper, gold, potash), hydropower, and construction
- Services: Approximately 52% of GDP, led by tourism, retail, and transportation

Total trade reached approximately USD 15.5 billion in 2024. Major exports include electricity, minerals, and agricultural products. Major imports include machinery, fuel, vehicles, and consumer goods. Thailand, China, and Vietnam are the primary trading partners.

Part II: Investment Environment and Policies

1. Business Environment

Laos ranked 154th globally in ease of doing business. The government has introduced reforms including online business registration and a one-stop investment service through the Ministry of Planning and Investment.

2. Foreign Direct Investment

China is the largest source of FDI in Laos, with cumulative investment exceeding USD 16 billion. Key sectors include hydropower, mining, real estate, and infrastructure.

3. Factors of Production

Minimum wage is approximately LAK 1.6 million/month (approximately USD 75). The labour force numbers approximately 4 million, with agriculture employing the majority. Technical and professional skills are in short supply.

Foreign investors cannot own land but may obtain land use rights through concessions or long-term leases (up to 75 years for investment projects). Foreigners may own buildings and apartments.

- Corporate Income Tax: Standard rate 20%. Profit tax exemption for 2-10 years for promoted sectors

- VAT: 10%
- Personal Income Tax: Progressive rates 0%-25%

4. Investment Policies and Regulations

The Law on Investment Promotion (2016, amended 2019) governs foreign investment. Key features include:

- Investment promotion sectors: Agriculture, manufacturing, infrastructure, tourism, and education receive tax incentives
- Special Economic Zones: Over 12 SEZs offering additional incentives and streamlined procedures
- China-Laos Railway economic zones: New zones being developed along the railway corridor

Part III: Chinese Enterprise Investment in Laos

1. China-Laos Economic and Trade Cooperation

China and Laos established diplomatic relations in 1961. The two nations signed the Agreement on Building a China-Laos Community with a Shared Future in 2019. China is Laos' largest foreign investor and second-largest trading partner.

Bilateral trade reached USD 7.5 billion in 2024. Major Chinese exports include machinery, electronics, and construction materials. Major imports from Laos include minerals, agricultural products, and electricity.

2. Investment Forms

- Wholly foreign-owned enterprise
- Joint venture with Lao partners
- Branch office
- Build-Operate-Transfer (BOT)

3. Key Investment Sectors

- Railways, roads, ports along the China-Laos corridor
- Hydropower and energy
- Urban development
- Copper, gold, potash extraction
- Mineral processing
- Rubber, coffee, rice production and processing
- Aquaculture
- Hotel and resort development
- Cultural tourism
- China-Laos Railway logistics
- Cross-border trade zones

4. Representative Cases

- China-Laos Railway: USD 5.9 billion project, operational since December 2021, transforming regional connectivity
- Nam Theun 2 Hydropower: 1,070 MW dam, one of Laos' largest FDI projects
- Vientiane Saysetha Development Zone: Chinese-invested industrial zone
- Luang Namtha SEZ: Cross-border economic cooperation zone

Part IV: Corporate Financing

1. Financial Market Overview

Laos' banking system includes commercial banks, policy banks, and microfinance institutions. Major banks include Banque Pour Le Commerce Extérieur Lao (BCEL), Lao Development Bank, and Joint Development Bank. Chinese banks including ICBC and Agricultural Bank of China have branches in Vientiane.

The Lao Securities Exchange (LSX), established in 2011, has only a handful of listed companies.

2. Financing Channels

- Commercial bank loans: Available from local and foreign banks
- Chinese bank branches: ICBC, ABC provide lending to Chinese enterprises
- Policy bank financing: China Exim Bank and China Development Bank are major lenders for infrastructure projects

Part V: Compliance and Dispute Resolution

1. Domestic Compliance

Chinese enterprises must complete outbound investment registration before investing in Laos.

2. Compliance Operations in Laos

- Company registration through the Ministry of Planning and Investment
- Tax registration with the Tax Department
- Labour law compliance including minimum wage and benefits
- Environmental compliance for mining and infrastructure projects

3. Trade Dispute Resolution

Laos is a signatory to the New York Convention. The Lao National Arbitration Centre provides arbitration services. International arbitration is recommended for major disputes.

Part VI: Living and Working in Laos

1. Visa

Chinese citizens can obtain visa on arrival for Laos. Business visas (B2) are available for longer stays. Work permits are required for foreign employees.

2. Housing

Vientiane offers modest housing options. One-bedroom apartments rent for approximately USD 300-600/month in central areas.

3. Healthcare

Major hospitals include Mahosot Hospital and Mittaphab Hospital. Medical facilities are limited outside Vientiane. Health insurance with medical evacuation coverage is recommended.

4. Banking

BCEL and Joint Development Bank offer services to foreign nationals. BCEL ATMs accept international cards.

5. Contact Information

- Chinese Embassy in Laos: Wat Nak Road, Vientiane
- AERI Southeast Asia Office (Kuala Lumpur): Menara Binjai, No. 11 Jalan Binjai, 50450 Kuala Lumpur, Malaysia

Appendix: Data Sources and Disclaimer

This guide draws on data from the Lao Statistics Bureau, Bank of the Lao PDR, Ministry of Planning and Investment, and Chinese government sources.

The information provided is for reference only and does not constitute investment advice. AERI endeavours to ensure accuracy but does not guarantee completeness or timeliness.

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