



LAO PDR

Southeast Asia's newest investment destination

Pristine jewel of SE Asia

One of Asia's lesser-known and previously reclusive nations, Lao PDR has finally opened its doors wide open to tourists and investors wanting a piece of one of the continent's most virgin nations, rich in cultural and natural attractions. A strategic location, tempting incentives and low production costs are making this country a very attractive prospect.

Under President Choummaly Sayasone, the landlocked Southeast Asian nation of 6 million inhabitants, the Lao People's Democratic Republic, is targeting overseas investment and last year welcomed 1.5 million foreign tourists, while preserving its communist ideals. "Our ultimate aim is that by the year 2020, we will have graduated from Least Developed Country Status, and Japanese economic involvement will be important to this end," says Sayasone. "The support and assistance that we have received from the government of Japan has continuously increased since we changed our economic policy in 1986, with 20 percent of our overseas grant aid coming from Japan, allowing us to significantly develop socially and economically."

Japan is now the fifth-largest foreign investor in the Lao PDR, with more than 50 Japanese companies in operation there. Sayasone's government has recently taken steps to further boost economic cooperation. "We have just signed with Japan an Agreement for the Liberalization, Promotion and Protection of Investment, as well as another 24 bilateral agreements, and recently agreed to provide visa exemption to Japanese tourists and business people for up to 15 days," the president says.

Other benefits already in place include the Lao PDR's membership of ASEAN — the Southeast Asian trading body — with its associated economic cooperation schemes and more than 10 years of steady economic growth with GDP growing at an annual average rate of 6.3 percent in recent years (last year growth, reached 8.3 percent) and a raft of measures to boost investment. Tax rates are among the lowest in Asia, with a simple regime and special breaks for major projects that will impact on the nation's development, while full foreign ownership and transfer of foreign currencies is permitted, among other incentives.

"Our location is also a real strategic benefit — we are at the heart of the Mekong subregion, bordering China and the North-South and East-West economic

corridors that link us to China and Cambodia, and Vietnam and Thailand, respectively," says the president. "In addition to this, the Lao PDR has an abundance of untapped raw materials, vast land resources and cheap labor, resulting in production costs that are lower than in other competing countries."

In addition, 2009 will be an exchange year between Japan and the Mekong countries, and Japan also recently pledged \$20 million to fund a logistics and transport facilitation project in the East-West economic corridor. On a recent trip to Tokyo, Prime Minister Bouasone Bouphavanh outlined the most attractive areas for investment, namely, hydropower, mineral extraction, agro- and timber-processing, and light manufacturing, with the possibility to develop free-trade zones and eco-cultural tourism. "Through economic growth, it is our main objective to ensure that our people have access to basic fundamental needs: food, shelter, health care, education and access to information," says Bouphavanh. "The second main objective is that we need to cooperate with foreign countries to achieve our Millennium Development Goals (MDGs)." Greater foreign investment should ensure that the incidence of poverty continues to fall — in 2003 it stood at 33.5 percent, down from 46 percent in 1993.

The Lao PDR has some of the largest hydropower potential in the world, with estimates of over 18,000 MW, of which only about 2 percent has been developed to date. The government promotes the development of hydropower projects and strives toward becoming the region's main energy supplier — the aim being to bring on line over 7,000 MW by next year. Currently, the key export market is Thailand, but Vietnam will soon become a major importer of Lao electricity, with a governmental agreement in place to supply 1,500-2,000 MW of power by 2010.

The country also has significant potential for mineral ore production, with gold, tin, iron, lead, zinc, precious stones, coal, lignite, limestone and gypsum

all present. The leading mining operator in the country, Pan Australian, recently announced that it aims to nearly double its ore resource by 100 million tons and increase the production target for copper to 100,000 tons. The government has also awarded concessions to foreign investors to explore for oil and natural gas.

Nowhere is Lao PDR's process of opening up more evident than in the tourism sector, however. The country was recently voted No. 1 tourism destination by The New York Times and tourism is becoming the country's principal source of foreign revenue. Numerous opportunities await investors in the tourism industry, with most of the country's historical, cultural and natural attractions still underdeveloped, despite the immense potential. For example, the capital, Vientiane, has at present, one first-class business hotel, the Lao Plaza, which hosts all important guests visiting the nation. The country is primarily visited for its culture, especially Buddhist monuments, and eco-tourism, and is home to two UNESCO World Heritage sites: Luang Prabang, the old royal capital containing some of the country's most impressive Buddhist temples, and Wat Phou, an 11th century Khmer temple complex, with stunning waterfalls nearby. The mysterious Plain of Jars is under study to be the country's third such site.

Aside from their potential for eco-tourism, the Lao PDR's forests are also ripe for sustainable exploitation, with the government granting commercial forestry licenses through a system of provincial quotas and permitting foreigners to export wood products though not for lumber. The country boasts the highest ratio of forest area to total land area of any country in Asia, with forest covering between 40 percent and 50 percent of the nation, including highly sought-after tropical hardwoods such as teak, mahogany and rosewood.

The economic growth of the Lao PDR depends to a large extent on the performance of its agricultural sector as it contrib-



Luang Prabang

utes 41 percent of the country's GDP. There remain large tracts of unused fertile land, extensive river systems, and varied and favorable climatic conditions, particularly on the Boloven Plateau. Among the major crops are rice, palm oil, coffee, cotton, sugar cane, tobacco, fruits, vegetables, groundnuts and flowers, with land availability also providing potential for livestock.

One of the few private Lao companies, the Dao-Heuang Group, with property assets and a duty-free shop network, is also the nation's largest and most successful coffee producer. "The secret of Lao coffee is the the Boloven Plateau where we cultivate it. This volcanic land,

sales in sophisticated markets," she says. The company is now constructing a factory for instant coffee, the industry's fastest-growing product, near current facilities to boost national production and expects to begin production in 2010. Dao-Heuang has also embarked on a new \$30 million plant outside the major shipping hub of Ho Chi Minh City, Vietnam, using state-of-the-art technology to produce coffee that doesn't lose its taste while being exported. "The Asian markets are most important to us," says Litdang. "We export to Thailand, Taiwan and most of the countries in the region, but our potential lies in the Japanese market. For now, 30 percent of our Arabica

sible," she says.

Another successful Lao agrobusiness is Lao Brewery Co. Ltd., established in 1921, which is jointly owned by the Lao government, and Carlsberg Asia and TTC, Carlsberg's partner in Thailand. The brewery has a 99 percent market share nationwide, having formerly held a monopoly status, and due to this fact only exports 1 percent of its total production of 63 million liters at present. MD Kissana Vongsay wants to significantly increase this quantity, while also expanding the company and its product range. Production has reached 120 million liters and the company is worth \$56 million. "Our core product is Beerlao, which is enjoyed by local people and foreigners alike, and has won many medals and international recognition for its taste and quality," says Vongsay. Indeed, Beerlao recently won a Monde Selection silver medal while TIME Magazine proclaimed it Asia's best beer.

Under Minister of Public Works Sommath Pholsena, upgrading the country's transportation links is of prime concern in order to further boost economic development and tourism. The road network is undergoing upgrades to faster connect to neighboring countries, while the Cross-Border Transport Agreement aims to facilitate the transport of goods and people in the region. The country's first railway is under construction and there are plans to connect with Vietnam. Meanwhile, there are three international airports

and the government wishes to deregulate the air transport sector soon. The country's national carrier, Lao Airlines, is under expansion, recently acquiring an ATR 72-500 plane to be followed by another jetliner to increase the fleet to seven. The addition of Savannakhet brings the total of domestic cities served to six while the airline also serves six international destinations in Cambodia, China, Thailand and Vietnam. Lao Airlines is currently looking at a partnership with Thai Airways to open a new route to Japan as well as other code-share agreements. President Somphone Douangdara aims to establish the company as a regional commercial player and to increase the size of the company threefold by 2020, by bringing the airline to the soon to open Vientiane Stock Exchange. It is seeking a joint venture.

The Lao central bank is set to establish the stock market by 2010 but informal trading may start as early as next year. The country's fledgling banking sector also recently took a major step forward with the opening of the ANZ Vientiane Commercial Bank, a joint venture between Australia and New Zealand Banking Group Ltd (ANZ), the privately owned Vientiane Commercial Bank Ltd. and the IFC. The Commercial Bank was the first equity investment in Laos for the international developmental banking body.

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"Assistance from Japan has increased since we changed our economic policy in 1986."

Choummaly Sayasone, President

"Greater foreign investment will help us achieve our Millennium Development Goals."

Bouasone Bouphavanh, PM

"The secret of Lao coffee is the Boloven Plateau where we cultivate it."

Leuang Litdang, President, Dao-Heuang Group

first used by the French in the 1900s, allows us to grow very good coffee with a unique taste that would not be the same in a different soil," says President Leuang Litdang, who founded the company and has turned it into a regional player. Assisted by French and Japanese industry advisers, and using traditional methods of cultivation, the focus is firmly on the quality of the Dao-Heuang coffee product.

"We only choose the best beans to produce the coffee and are in the process of acquiring ISO certification, which we expect to achieve by the year end, and which should further boost

production is exported to Japan. Japanese clients always want the best product and this is what we are providing." Litdang is also encouraging tourist visits to her facilities to boost awareness and hopes to change prejudices among Europeans concerning Lao coffee, which she says is unfairly viewed as inferior to the South American product. "We could get more money if we industrialized our production more, adding other flavors for instance. We do, however, prefer to take the time to prepare the coffee the best way we know, which takes time, but we ensure we get the best product pos-

The logo for Dao Coffee, featuring the word "Dao" in a stylized script font inside a red oval, with "COFFEE" in a smaller font below it.

Introducing Lao Coffee, world-class Arabica coffee

Dao Coffee is a special gift from a very special place of nature: The southern mountain plateau in Laos. Formed millions of years ago by volcanic activity, its soil is ideal for growing rare Arabica coffee varieties. Centuries ago, people discovered the area and named it Boloven, or "fertile land". Indeed, the land proved ideal for harvesting coffee of world-class quality. Grown at an altitude of 1,500 meters, Dao Coffee is uniquely rich and harmonic in taste.

A photograph of a lush green landscape with coffee plants in the foreground and mountains in the background. A map of Laos is overlaid on the image, highlighting the Boloven Plateau region.

A photograph of a large, modern coffee processing facility with several buildings and a parking lot.

For further information, please contact:
Dao-Heuang Group
010, Unit 02, Ban Hadsadi, Lanexang Avenue, Vientian, Lao PDR
Tel: (856-21) 241 666. Fax: (856-21) 242 666
Email: info@daoheuangcoffee.com
www.daoheuangcoffee.com