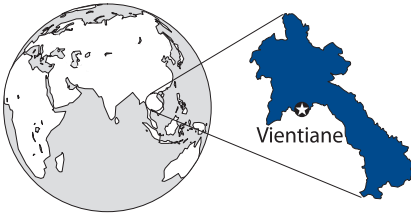
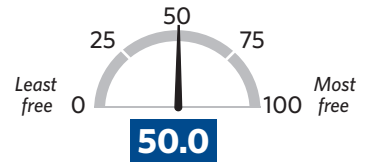


LAOS



World Rank: **150** Regional Rank: **33**

Economic Freedom Score



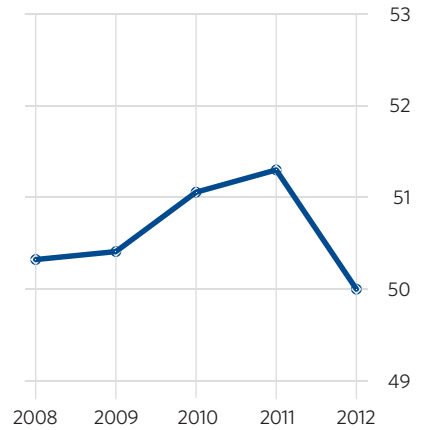
Laos's economic freedom score is 50.0, making its economy the 150th freest in the 2012 *Index*. Its overall score is 1.3 points worse than last year, with improvements in business and labor freedom offset by large drops in property rights, the management of government spending, and trade freedom. Laos is ranked 33rd out of 41 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

Many aspects of the Laotian economy are in critical need of deeper institutional reforms to spur broad-based long-term economic development. As reflected in low scores for property rights and freedom from corruption, the economy's overall legal framework is inefficient and lacks transparency. The rule of law is undermined by political interference, and rampant corruption corrodes the foundations of economic freedom.

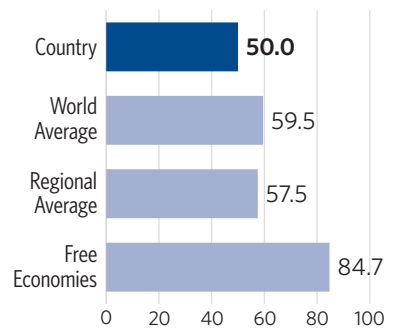
Laos has largely dodged the negative effects of the global financial crisis due to its limited exposure to international trade and investment. The relatively strong levels of economic expansion recorded by the isolated Communist economy were facilitated in part by large inflows of Chinese and Vietnamese investment in its mining sector. Experimenting with limited introduction of free-market forces into the economy, Laos is attempting to reform its regulatory and investment regimes, particularly in order to join the World Trade Organization. Reforms are ongoing in the underdeveloped financial sector, and the first stock market opened in early 2011.

BACKGROUND: Upon coming to power in 1975, the Communist government imposed a rigid socialist system that has devastated the economy. The government began to liberalize slowly in 1986 but with only limited success. The country remains highly dependent on international aid and is burdened by high levels of corruption and the absence of the rule of law. Basic human rights are still heavily restricted. In 1998, Laos began formal negotiations with the World Trade Organization with an eye to joining by 2013.

Freedom Trend



Country Comparisons



Quick Facts

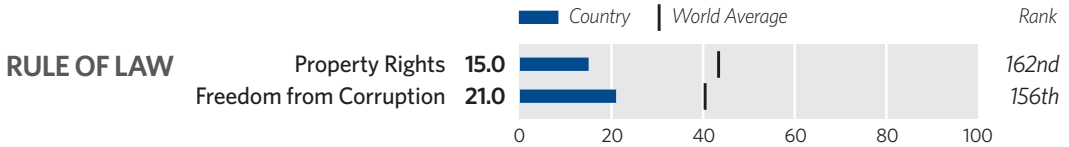
- Population:** 6.4 million
- GDP (PPP):** \$15.7 billion
- 7.7% growth in 2010
- 5-year compound annual growth 7.9%
- \$2,436 per capita
- Unemployment:** 2.5%
- Inflation (CPI):** 5.4%
- FDI Inflow:** \$350.0 million
- Public Debt:** 62.0% of GDP

How Do We Measure Economic Freedom?

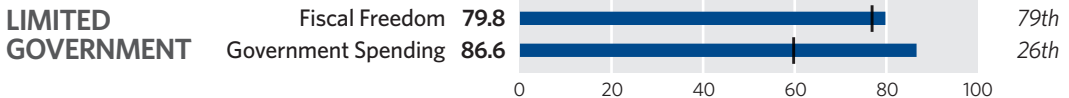
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

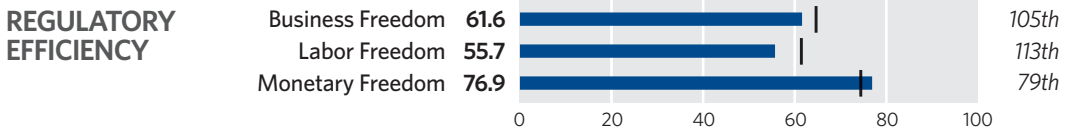
THE TEN ECONOMIC FREEDOMS



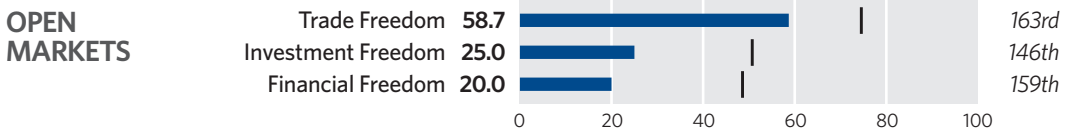
The rule of law remains weak and uneven across the country. The judicial system is inefficient, and protections for property rights are not enforced effectively. The judiciary lacks transparency and is burdened by political interference from the executive. Contract enforcement can be lax. Pervasive corruption continues to cause concern, severely undermining the foundations for growth.



The top income tax rate is 25 percent, and the top corporate tax rate is 35 percent. Other taxes include a vehicle tax and excise taxes, with the overall tax burden amounting to 13.1 percent of total domestic income. Government spending is equivalent to 21.1 percent of total domestic output. The budget balance has been in chronic deficit, and public debt has hovered at around 60 percent of GDP.



The efficiency of the regulatory environment has improved. Launching a business and completing licensing requirements have become less burdensome and costly. Despite some progress, an underdeveloped labor market does not provide dynamic employment opportunities for the growing labor supply. Inflation has been rising. The government influences many prices through state-owned enterprises and utilities.



The trade weighted average tariff rate is burdensome at 13.2 percent, and complex non-tariff barriers further constrain freedom to trade. Laos has tried to attract more foreign investment, but the overall investment regime lacks transparency. Government attempts to reform banking have been effective only in state-owned banks. In 2011, the first stock exchange came into operation, initially offering shares in two state-owned companies.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	-0.1	Business Freedom	+2.8	Trade Freedom	-9.7
Freedom from Corruption	+1.0	Government Spending	-3.5	Labor Freedom	+5.8	Investment Freedom	0
				Monetary Freedom	-3.5	Financial Freedom	0