

Laos is one of East Asia's poorest countries. It is a small landlocked country located in the center of South-East Asia. It is a mountainous country, especially in the north, and dense forests cover the northern and eastern areas. Population density is low, with only approximately 29 people per kilometer square (2016). More than 70 per cent of the total population live in rural areas and rely on natural resources for their survival.

The advantageous geographical location, which connects Laos to the most dynamic South-East Asian markets, including China, is a further important asset. Although Laos is a small land-locked country, it is now becoming a land-linked country, known as the land-bridge among the Greater Mekong Sub-region. All this offers promising prospects for more trade and investment in and with Laos. We enhance investment through an attractive incentives packages, provided in the Law on Investment Promotion.

Laos has abundant natural resources, such as forest and mineral resources, including many unexploited endowments. Indeed, almost 60% of FDI is related to the country's natural resources. These resources are a key for our sustainable development, for instance through the use of hydro-power, bio-energy production, forestry, organic agriculture, and mining. Moreover, Laos has a rich cultural heritage with a traditional life style, which can make it to an attractive tourist destination.

Laos is still learning how to attract, manage, monitor and then attract more FDI inflows. In spite of several years' promotion, Laos has not received a favorable amount of FDI because the lack of territorial access to the sea is a formidable obstacle to FDI inflows due to the high cost of transportation and the existing poor business environment, including a weak physical infrastructure network, structural deficiencies within the economy, nontransparent and lengthy documentation procedures, limited access to credit and financing, and a poorly skilled labor force.

The government of Lao PDR is involved in a number of ambitious reforms to improve the business environment and further obtain the benefits of investment, increasingly focusing on attracting responsible and sustainable investments. We have recently issued a new Investment Promotion Law to promote a transparent and

competitive investment climate that comply with the latest key government strategies, such as the National Socio-Economic Development Plan 2016-2020, development strategy 2025 and the vision to the year 2030. The efforts by the government to improve the investment climate such as:

- Improving business environment by strengthening the capacities of the administration, enhancing the transparency in the decision-making and streamlining unnecessary licenses and approvals.
- The elimination of the minimum capital requirement for foreign investors in general business activities to encourage potential investments by smaller foreign businesses;
- Promoting responsible business conduct and encouraging sustainable investments;
- Enhance the development impact of FDI by encouraging linkages with domestic firms especially SMEs;
- Improving infrastructure connectivity and the investment framework for green growth;

The Investment Policy Review illustrates our commitment to reform and our willingness to comply with international best practices. The recommendations focus on the importance of policy coherence, inclusive policymaking, consistent implementation of laws and effective institutional coordination. Our reform agenda is moving in this direction, with a stronger focus on quality investments in our investment promotion efforts and the development of a public-private partnership framework.

We also provide profit tax and duty exemption incentives to promoted sectors especially business sector that apply high and modern technology, scientific research, research and development, use of innovative, environmental-friendly technology. Therefore, these reforms are expected to enhance Lao PDR's ability to thrive in a digital and globalized economy.

Lao government acknowledges the significance of the digital economy to boost competitiveness, innovation, economic growth and social well-being. Lao government is working on enhancing various policy areas in order to employ digital into our economic

development. However, the benefits of the digital economy remain out of reach for Laos despite the enormous available opportunities across various sector. The biggest challenge is that Laos does not have favorable policies to encourage new business models and digital technology-enabled companies.

In order to develop digital economy, the Government should accelerate efforts in limiting the use of cash, promoting e-commerce and e-contracts and creating payment infrastructure for electronic transactions. The government also aims to advance the adoption of emerging technologies for sustainable development, and generate new business development opportunities, especially those with positive societal impact. Our vision is to drive inclusive growth, a smart government, and transform the way both public and private sectors operate – not only by ensuring accessibility of tools, but also by establishing the right processes and building the digital skills of our citizens.

Information and Communications Technology has played a critical role in supporting local and regional, and international socio-economic integration, trade, public and private sectors, businesses and services. ICT has increasingly transformed individual lifestyle, has connected people at their fingertips, as digital tools such as computers and mobile devices become affordable and readily accessible. Traditional economic platforms is transforming to digital economy, and we now do businesses, sell and buy products easily in a world without borders, than ever.

We strongly believe that our digital economy policy will drive more investment into Laos. New technologies will make manufacturing more competitive and allow supply chains to be more networked and more distributed, while allowing logistics and transaction costs to fall.