

**Comment by
H.E. Amb. Phanthong Phommahaxay
at the Trade Conference in Kasas, Oct 17-22, 06**

Ladies and Gentlemen,

I would like to begin by thanking..... (for organizing this important event). It is my pleasure to be here with you, ladies and gentlemen, to discuss and seek ways to promote business relations as well as to strengthen the bilateral relation between Laos and the United States as a whole. Before going to the main issues, I would like to shortly brief you about my country, Lao People's Democratic Republic.

Laos overview:

The Lao People's Democratic Republic (Laos) is a landlocked country located in the center of the Indochinese peninsula, sharing borders with China in the north, Vietnam in the east, Cambodia in the south, Thailand in the west and Myanmar in the northwest. The country covers an area of 236, 800 km², much of which is mountainous, forested area and rich of rivers which are Mekong river's tributaries. According to a population census conducted in 2004, the population of Laos is 5,7 million people, comprised of 49 different ethnic groups. The annual growth rate of population is 2.8 percent, the average population density is 23 persons per km square and approximately, 20 percent of the population lives in urban areas.

Economic growth is averagely 6%. GDP in 2005 increased 6.5%, over the targeted plan 0.3%. GDP per capita income is 450 US dollars. The exchange rate about \$1.00 = 10,500 kips (Lao currency).

Political summary:

In recent decades, the country has experienced colonial, feudal and people democratic regimes. Historically, after being scatterly divided for administration by colonialists for hundreds of years, Laos was firstly unified in 1353 by Far Ngum, a Lao prince, who established his capital city of Luang Prabang and brought several scattered Lao principalities into the Kingdom of Lane Xang (Kingdom of million elephants). Between the 14th

and 17th centuries, Lane Xang was a powerful and prosperous nation. In the 18th and 19th centuries, Lane Xang was twice invaded by Siam (Thailand). During this time, Lane Xang was destroyed completely to the ground by foreign invader. In 1893 France took control of Laos until Japanese came to occupy during the World War II. France conquered Laos for the second time followed by the Indochina War.

During the Indochina War, which was a severe and destructive war, from mid-1960s to mid-1970s, Laos was heavily bombed by US war planes, estimatedly three million tons of bombs were dropped and devastated most of the three million population of Laos (by that time), destroying all its economic, social and cultural infrastructures, farming and housing lands in the war zone have been covered by unexploded ordinances (UXOs) which yearly kill hundreds of farmers and children; communication, education, telecommunication were destroyed. Since we had been in wars for many decades, Laos was and is still severely affected, and thus Laos has been put in the least developed country until now.

Since its liberation in 1975 and pursuing the policy of national reconstruction for about 10 years, Laos has been governed under the leadership of the Lao People's Revolutionary Party. In 1986, the Lao government adopted a package of reform by transforming its economic management from a centralized system to a market economy oriented, with the private sectors playing an active role and now widely opens for foreign investment.

Foreign Policy:

Laos has implemented its foreign policy of peace, independence, friendship and cooperation with all nations, regardless of their political and social systems, on the basis of mutual benefits and respects each other's independence and sovereignty. Laos has pursued a consistent open-door policy for international cooperation and actively contributed to the international and regional activities. Laos became a full member of ASEAN in 1997, hosted ASEAN-EU Summit in 2000, the 10th ASEAN summit in 2004 and 38th AMM, Post Ministerial Conference and 12th ARF in July 2005, the 26th ASEAN Interparliamentary Organization's General Assembly in September 2005 and so on. Laos is preparing the application for being member of World Trade Organization. The government of Laos declared its support to fight against terrorism right after the terrorist attack the World

Trade Center in New York and Pentagon in Washington, D.C. on September 11, 2001, and signed many legal documents, regionally and internationally, in counter terrorism. Laos has diplomatic relation with 121 countries, up from 44 countries in 1976, has its embassies in 24 countries and consulates in 6 countries. Economically, Laos has opened door for foreign investment, in types of 100% foreign investment or joint venture.

Lao-US Relation/Cooperation:

Laos and the US have established diplomatic relation since August 10, 1955, the relation has never been broken and In 2005, the two countries celebrated the 50th Anniversary of the relation. In recent years, the two countries have exchanged visits of delegations in the government level and congressional members, as well as the US visit of Lao governors delegations and so on. Laos and the US have had bilateral cooperations in many areas, such as : cooperation on accounting for remains of the American personnel missing in the war (POW/MIA) which began in 1985, and 204 cases out of 569 cases missing in Laos have been handed over to US side; narcotics suppression and control cooperation, which started in 1989, has been very successful project and Laos declared complete abolishment of opium cultivation all over the country on February 14, 2006; the government of the US has funded Unexploded Ordnances clearance project through NGOs or international organizations; cooperations in fighting against terrorism, humanitarian assistance, trade, investment, Bird Flu control have been strengthened and promoted. The governments of the two countries are now focusing on further strengthening and promoting the bilateral relation and cooperation of the two countries in other areas.

Trade and Investment cooperation :

The Bilateral Trade Agreement (BTA) between Laos and the US had been negotiated since 1997 and signed in September 2003 to extend non-discriminatory treatments to Lao products. However, the BTA could not be put into effect, untill US Congress granted NTR in 2005, and President signed the bill on December 3, 2005 to promote the economic and trade relations of the two countries. Presently, the US investors have done business in Laos more than 50 projects, worth of about 1,4 billion dollars. The two sides are trying to promote and push the business doing in both countries.

Laos-US trade volume in the second term of the fiscal year 2005-06: imported goods worth USD386,888 and exported volume to US: USD 2,484,004. Though the value of trade is still low, but there are a lot of potentials that both sides could increase the revenue.

Economic development:

After successfully implementing the plan to heal the wounds of the war and the 1976-1980 plan for the recovery of the post-war economy, Laos implements every five-year socio-economic development plans. Through some period of implementing the plans, such as 1996-2000, the country experienced difficulties as result of the economic and financial crisis in the world and the region as well as economic and financial instability and threats from natural phenomena. These events caused abnormally high inflation and brought down the value of Kip (Laos' currency). However, Lao government paid attention to the domestic financial situation and as a consequence the economy recovered quickly. The Government continues deeply scrutinizing the world situation and the reality of the country, aiming to issue suitable policies toward further economic integration with foreign countries, which has seen to hold both opportunities and challenges.

In addition, eight priority programmes of the government were set forth to support many sectors and localities and to formulate detailed plans and projects, which could be implemented with success. The seventh Party Congress adopted a policy on shifting to industry and modernization, and setting the target of lifting the country from least developed status by 2020. The shift to industry and modernization is "to prioritize the power industry, agricultural and forest processing industry, tourism industry, mining industry and construction material production industry, but the education, science, technology, transportation and marketing sectors are key".

Agriculture and forestry sector are considered as the basis for developing country; this sector has an average growth rate 4-5% a year, made up 52% of GDP. In 2004-2005 the import value reached USD 596 millions, while export was worth USD 420 million. This is included small trade volume between Laos and US.

Industry and handicrafts, currently, there are 119 large factories and 623 medium sized factories and 25,458 small factories, 95% of which are processing factories, including agricultural produce processing (66%), food

processing (4%), wood processing (4%), car assemblies (5%), construction material producing (4%), garments (3%), and others making up the final 9%.

The communication, Transport, Post and Construction sector, a spearhead of the National economy, is one of the priority areas on which the government is focusing, in order to turn Laos from a land-locked to a land-linked country. The roads link with our neighboring countries, the north and the south, east and west are under construction; two international airports have been upgraded to the international standard; two bridges across the Mekong river have been completely built, the construction of the third one across Mekong river between Savannakhet Province of Laos, where the duty free economic zone to be built, and Moukdahane province of Thailand will be completed by 2006. These constructions are under the programs of "East-West Corridor and through Asia routes". This network of transportation will transform Laos from a land-locked into a land-linked country, bridging countries in the region for trade, investment and tourism in the region.

The goal of education is to expand the educational system in order to create a society of wise people with good morals and skills in the sciences, arts, sport and labor, and combine the education in school with the education the home and society at large. The education expansion is required both public and private sector investment.

Potential of doing business in Laos:

There are many favorable conditions and good potentials of doing business in Laos, a lot of areas and activities, as above mentioned, are promoted for foreign investment. Laos has got GSP (general system of preference) from 35 countries in Europe, Asia and Australia and has just established Trade Normalization Relation (NTR) with the United States.

Additionally, the government of Laos has eased the procedures of registration for doing business in the country. Investment Law has been amended in favor of drawing foreign investment to Laos.

Laos has had a Committee for Foreign Investment Management, Lao Trade Promotion Center and Lao National Chamber of Commerce and Industry to promote and facilitate trade relation and foreign investment in Laos. We, thus, advice you to avoid a middle man and directly contact these organizations or the Embassy of Laos in Washington, D.C.

At present, there are over 40 countries doing business in Laos, the United States is ranking in the seventh, Thailand is the first, Australia, Malaysia, Viet Nam, China have increasingly come up. The areas which are mostly invested: Electric power, Telecom, Transport, Mining, Hotel and Tourism and so on, on more than 900 projects with the fund more than 7 billions.

conclusion:

The good atmosphere of the bilateral and multilateral relation and cooperation in the region have recently been in favour of trade promotion and economic cooperation between Laos and the US. We, thus, welcome and encourage US businessmen to seek their investments in Laos, where there are peace, political stability, a lot of potentials in many areas and the Lao government has made every favorable condition to encourage and protect the foreign investment.

Thank you for your attention.