

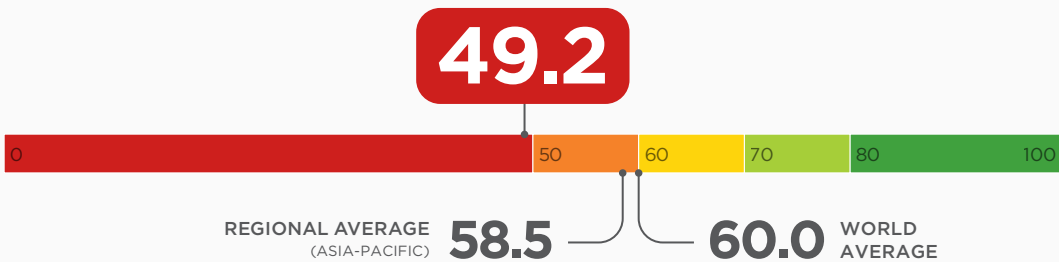
LAOS

Laos's economic freedom score is 49.2, making its economy the 151st freest in the 2022 *Index*. Laos is ranked 33rd among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The Laotian economy grew slowly over the past five years, with only a modest decline in 2020. After an initial uptick, economic freedom has declined in the past half-decade. Driven lower by score decreases in **fiscal health** and rule of law, Laos has recorded a 4.8-point overall loss of economic freedom since 2017 and has fallen from the "Mostly Unfree" category to the "Repressed" category. An economy relatively unburdened by taxation and **government spending** may be a bright spot, but **judicial effectiveness** and **financial freedom** in Laos are among the worst in the world.

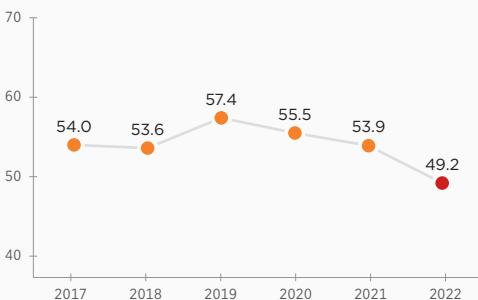
IMPACT OF COVID-19: As of December 1, 2021, 178 deaths had been attributed to the pandemic in Laos, and the government's response to the crisis ranked 2nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 0.4 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +10.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.3 million

GDP (PPP):
\$58.9 billion
-0.4% growth
in 2020
5-year compound
annual growth 4.9%
\$8,111 per capita

UNEMPLOYMENT:
1.0%

INFLATION (CPI):
5.1%

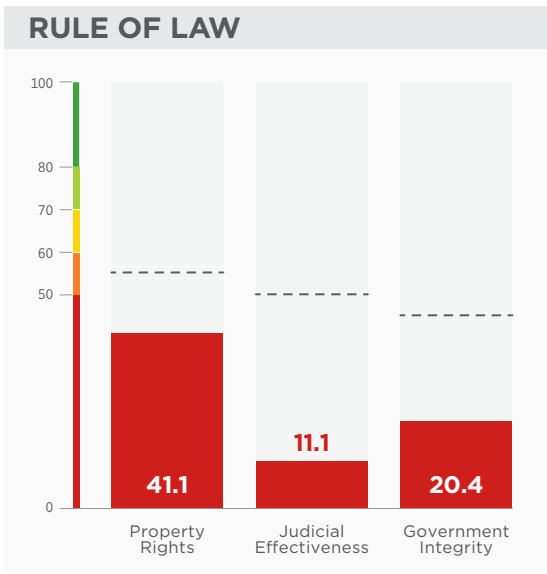
FDI INFLOW:
\$968.0 million

PUBLIC DEBT:
68.0% of GDP

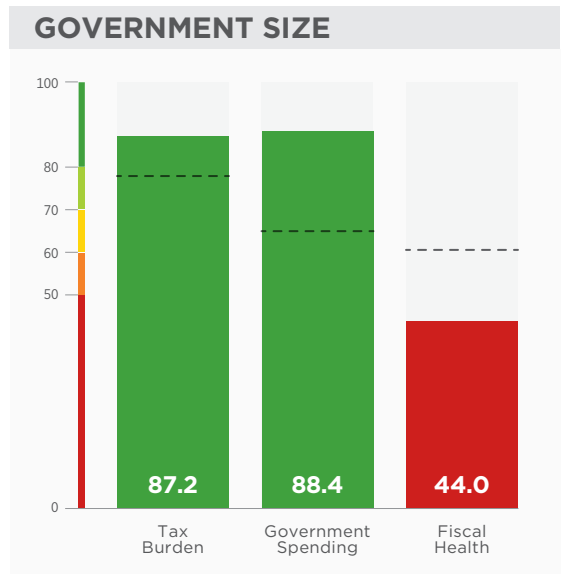
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Laos is a one-party state. In the early years of its rule, the Communist government that took power in 1975 destroyed the economy. Minimal liberalization, begun in 1986, has yielded some progress, but civil liberties remain heavily restricted. In 2021, the National Assembly elected former Prime Minister Thongloun Sisoulith to a five-year term as President of Laos and General Secretary of the Lao People's Revolutionary Party. He is the first non-military civilian to be so elected. According to the World Bank, Laos has enjoyed a rapid decline in poverty rates, which dropped from 46 percent in 1993 to 18 percent in 2019. Approximately 80 percent of the rural population works in subsistence farming. The economy relies heavily on exports of such natural resources as copper, gold, and timber.

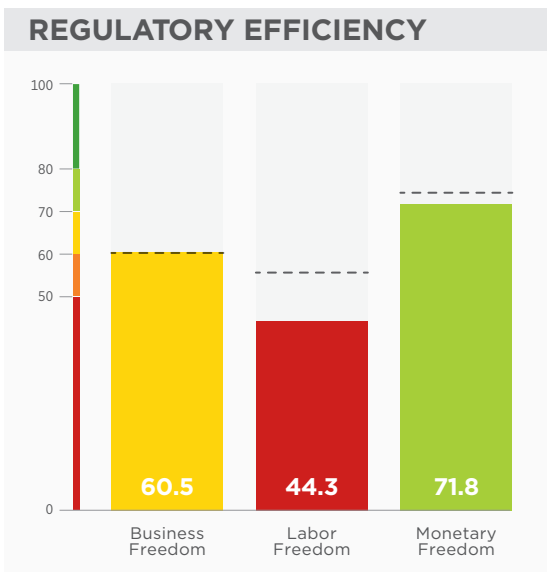
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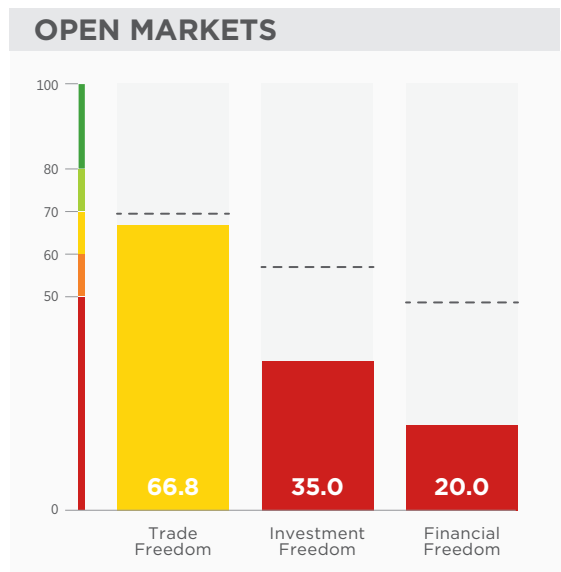
By law, the state owns all land. Protection of property rights is weak, titles are unclear, and some areas practice communal titling. The judicial system is inefficient, underdeveloped, corrupt, and controlled by the ruling party. Corruption and graft are pervasive among government officials. According to Freedom House, anticorruption efforts had very little impact in 2020.



The top personal and corporate income tax rates are 24 percent. Other taxes include an excise tax. The overall tax burden equals 11.4 percent of total domestic income. Government spending has amounted to 19.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.4 percent of GDP. Public debt is equivalent to 68.0 percent of GDP.



Regulatory capacity is low. A railway connecting Kunming in China's Yunnan Province with Vientiane was expected to be finished and operating by the end of 2021, providing new business opportunities. There is a shortage of workers with technical skills or relevant education. The government influences many prices through subsidies and state-owned enterprises to advance its socialist "state-managed market-orientated economy."



Laos has nine preferential trade agreements in force. The trade-weighted average tariff rate is 9.1 percent, and 12 nontariff measures are in effect. The minimum capital requirements for certain foreign investors have been removed, but the investment regime lacks transparency. The financial sector is underdeveloped, and the lack of long-term credits hinders private-sector growth.