

**Report on China-Laos Cooperation
Opportunities under the Belt and Road
Initiative in 2018**

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Abstract

Economic and trade relations between China and Laos have been developing constantly with great achievements in such fields as trade and investment for over half a century since the establishment of diplomatic relations between the two countries. Now China is the second largest trade partner, the largest foreign investor, and the largest aid provider of Laos, and Laos is the third largest destination of China’s investment in ASEAN countries.

With China-proposed Belt and Road Initiative and Laos’ strategy of “turning itself from a land-locked country into a land-linked country” providing constant motive force to trade and economic cooperation, the two countries have carried out a series of fruitful cooperation in mutual connectivity, energy, construction of economic zones, etc. Such major cooperative projects as China-Laos Railway, Nam Ou River Hydropower Station, Saysettha Development Zone, Mohan-Boten Economic Zone, Ground Station for “Lao Sat-1” have not only created jobs and increased revenue for relevant regions, but also brought about benefits to Laos’ long term development, becoming the new engine of economic growth.

With high degree matching and complementarity in geographical position, society and culture, as well as economical features and development strategy, the two countries have a broad prospect for cooperation, offering a lot of investment opportunities for their enterprises.

1) With domestic peace and stability, Laos has extensive room for development. Its economy has maintained a medium-high growth in the recent years. Its 7.02 percent growth rate of 2016 is not only much higher than the average global figure but also above the 6.5 percent average of the emerging Asian economies. Laos has the potential for medium-high growth in the future, which means stable environment and many opportunities for investment.

2) The accelerated alignment of the development strategies of the

two countries has provided broad prospects for their trade and economic cooperation. China and Laos are comprehensive strategic cooperation partners. During the state visit by Chinese President Xi Jinping to Laos in November 2017, the two countries reached agreement on further deepening their strategic alignment. In the future they will carry out extensive practical cooperation under the framework of China's Belt and Road Initiative and "13th Five-Year Plan", and Laos' state policies of "turning itself from a land-locked country into a land-linked country", the "Eighth Five-Year Plan", and "Building Laos into the battery of Southeast Asia".

3) The two neighbors have strong economic complementarity with similar culture and easy communication. Being in the medium stage of industrialization, China has its equipment level at the middle of the global industrial chain with high performance-cost ratio, and its export is mainly capital intensive and technology intensive. Laos is still in the initial stage of industrialization and is in urgent need of China's capital, technology, and talents.

At present, there are considerable potentials for investment between the two countries in agriculture, infrastructure, manufacturing, energy, tourism, etc. The construction and opening to traffic of the China-Laos railway will further promote bilateral cooperation in construction material, service industry, logistics, catering, ecological agriculture, as well as processing, mining, light industry etc.

In his article "China and Laos: Working Together for a Community with Shared Future and Strategic Significance" published in the Laotian media, Chinese President Xi Jinping put forward the creation of four communities of shared future: to strengthen strategic communication and build a community of shared future based on mutual respect and mutual trust; to enhance the complementarity of development strategies and build a community of shared future through mutual assistance; to expand practical cooperation and build a community of shared future for mutual benefit; to increase people-to-people exchange and build a community of shared future featuring mutual learning

With the acceleration of strategic alignment, pragmatic cooperation between China and Laos is already in the fast lane, which is sure to open bright prospects for multi-field cooperation between the two countries.

1. Substantial Achievements in Trade and Economic Cooperation

Trade and economic relations between China and Laos have been developing constantly for over half a century since the establishment of diplomatic relations, with substantial achievements in trade, investment and other fields.

In 2016, China was the largest source of foreign investment, second largest trade partner, and the number one aid provider of Laos, while Laos was the third largest destination of China's investment in ASEAN countries.

The recent years saw rising enthusiasm of Chinese enterprises making investment in Laos. Important projects of Chinese investment in Laos cover many fields such as economic cooperation zones, railway, power grid, hydropower station, real estate, and communication satellite. At the same time, China has, within its ability, provided economic aid to Laos by way of free assistance, interest free loans or concessional loans, covering fields of materials, complete equipment, personnel training, technological support etc.

(1) Rapid growth of bilateral trade and economic relations

Statistics of Chinese Customs show that trade between China and Laos reached 2.34 billion U.S. dollars in 2016 with China as the second largest trade partner of Laos. From January to September 2017 the figure reached 2.1 billion U.S. dollars, showing an increase of 25.1 percent over the same period of 2016. China's major imports from Laos are copper, timbre, agricultural produce etc. while its exports include automobiles, motor cycles, textiles, steel products, electric wire and cable, communication equipment, electric appliances and electronic products etc.

Commodity Import and Export between China and Laos

Unit: billion U.S. dollars

Jan-Dec	Total	Increase year on year (%)	China's exp. to Laos	Increase year on year (%)	China's imp. from Laos	Increase year on year (%)	Balance of trade
2013	2.741	58.61	1.720	83.58	1.021	29.04	0.7

2014	3.614	31.87	1.843	7.15	1.772	73.56	0.071
2015	2.780	-23.10	1.227	-33.30	1.554	-12.60	-0.327
2016	2.338	-15.70	0.986	-19.60	1.353	-12.60	-0.367

Source: China Customs

(2) Expansion of cooperation in the field of investment

The recent years witnessed rising enthusiasm of Chinese enterprises in making investment in Laos, covering more and more extensive fields. According to the data of Laotian Ministry of Planning and Investment, China has become the largest source of foreign investment in Laos.

The data published by the Chinese Ministry of Commerce show that by September 2017 China had invested in total about 6.31 billion U.S. dollars in Laos, which had thus become the third largest destination of Chinese investment in ASEAN countries. Among the top ten countries with the largest stock of Chinese investment along B&R by the end of 2016, Laos ranked the fourth, next only to Singapore, Russia, and Indonesia.

The stock and flow of China's direct investment in Laos 2012-2016

Unit: billion U.S. dollars

	The Stock	The Flow
2012	1.92784	0.80822
2013	2.77092	0.78148
2014	4.49099	1.0269
2015	4.84171	0.517
2016	5.42195	0.58024

Source: Ministry of Commerce of the People's Republic of China

Investments in Laos by Chinese enterprises have been mostly in such sectors as hydropower, mining and agriculture. With the rapid economic and social development of the two countries, the investment cooperation fields are gradually expanding from traditional industries to railway, ecological agriculture, information technology, modern logistics, financial service, etc.

Major Chinese Investment Projects in Laos

Serial Number	Contractor	Project	Location	Investment (billion U.S. dollars)	Category and Influence
1	Laos China Railway Co. Ltd.	China-Laos Railway	China Mohan Port Mohan to Vientiane	5.8	Infrastructure; Turning Laos from being “land-locked” to “land-linked”
2	Yunnan Construction Engineering Group Co., Ltd.	Vientiane Saysettha Development Zone	Vientiane	0.35	Cross-border economic cooperation zone; the only one of its kind in Laos, early project of the Belt and Road Initiative
3	Yunnan Haicheng Group and Hong Kong Fuxing Tourism and Entertainment Group Co., Ltd.	Mohan-Boten Economic Cooperation Zone	From Yunnan Prov. China to Louang Namtha Prov. Laos	0.5	Cross-border economic cooperation zone; The second of such zones between China & its neighbors, following the Horgos International Border Cooperation Center on the China-Kazakhstan border.
4	Shanghai Wanfeng Group	Vientiane Thatluang Lake Specific Economic Project	Vientiane	1.6	Real Estate Project
5	Chongqing FUND Real Estate Co., Ltd.	Latsavong Plaza	Vientiane	1.2	Real estate; Latsavong Hotel was designated by Laotian Foreign Ministry in Aug. 2014 as a hotel for 2016 ASEAN Summit.

6	Power China	Nam Ou River Basin Cascade Hydropower Station	Nam Ou River Basin	2.735	Hydropower Project; new model of Sino-Lao power and energy cooperation
7	SINOHYDRO Corporation Limited	Nam Ngum III Hydropower Station	Xaisomboun Province	1.29	Hydropower project; a key project in Laotian Five-Year Development Program
8	China National Heavy Machinery Corporation	Sekong Coal-electricity Integration Project EP contract	Sekong Province	2.1	Power project: so far the largest EPC project in Laos
9	China National Water & Electric Corp.	Huaphanh Coal-electricity Integration Project	Huaphanh Province	About 1 billion U.S. dollars for the 1 st stage	Power project: the 1 st coal-power EPC project in Laos operated by Chinese enterprise
10	Laotian Govt., APMT, SSTC, Hong Kong Asia-Pacific Science & Technology Co.	Satellite Project of Laos			High-tech field
11	Hunan Xuanye Ecological Agriculture Development Co. Ltd.	Laotian agriculture	Savannakhet Province		Agricultural cooperation: creative investment pattern by way of 3+2 (capital, tech., market +labor, land)

(3) Unique advantages of project contracting

The data published by Chinese Ministry of Commerce show that in 2016 China signed a total amount of 6.71193 billion U.S. dollars for project contracting in Laos, increasing 30.1 percent over 2015, ranking the 3rd among ASEAN countries; and the turnover of its project contracting in Laos totaled 2.94729 billion U.S. dollars, showing a

decrease of 8.4 percent. By the end of December 2016, China's project contracting in Laos had a contract value amounting to 27.86472 billion U.S. dollars and a turnover accumulating to 15.96945 billion U.S. dollars.

Chinese enterprises began project contracting in Laos as early as in 1990s. Relying on their strengths in technology, equipment, labor and cost, a number of them such as Guangdong No.3 Water Conservancy and Hydro-electric Engineering Board Co., Ltd., Yunnan Construction Engineering Group Co., Ltd., and SINOHYDRO Corporation, not only did an excellent job in project contracting of aid and investment projects offered by the Chinese government and enterprises, but also undertook aid projects provided by international organizations such as the World Bank and the Asian Development Bank as well as by Japan, the Republic of Korea, Malaysia, and Thailand, winning good reputation and gradually becoming the major participant in the project contracting market of Laos. With the rapid social and economic development of Laos, there will be a new construction upsurge of infrastructure projects like roads, bridges, railways, airports, public works, water conservancy and hydropower stations, and there will be a great market potential for Chinese enterprises in project contracting.

(4) Remarkable achievements in financial cooperation

There have been remarkable achievements in financial cooperation between China and Laos since 2011. By November 2017, two state-owned commercial banks of China had opened their branch respectively in Laos: the Vientiane Branch of Industrial & Commercial Bank of China Limited and the Vientiane Branch of Bank of China Limited. Besides, the Fudian Bank of Yunnan Province and Banque Pour Le Commerce Extérieur Lao Public (BCEL) jointly created the Lao China Bank Co., Ltd. China Development Bank established its representative office in Vientiane. China Pacific Securities Co., Ltd. and Lao Agricultural Promotion Bank and the Lao Information Industry Co. Ltd. formed the LAO-CHINA Securities Co. Ltd, the first securities joint venture established abroad by China.

To promote the economic and social development of Laos and improve the livelihood of its people, Chinese financial institutions have provided financial support for large infrastructure projects and small and medium enterprises of Laos. They have also trained many financial talents for Laos with a view to cultivating a steady capital market in Southeast Asia, offering help for the creation and operation of a Laotian capital market, and promoting the indigenized development in Laos.

Providing financial support for important projects related to social and economic development of Laos: ICBC Limited Vientiane Branch does its best to satisfy the financial needs of the large infrastructure projects in electric power, telecommunication, mining and railway of Laos, becoming the largest commercial bank in the country. From 2006 to early September 2016, China Development Bank committed itself to loans totaling 5.26 billion U.S. dollars with the loan balance of 1.78 billion U.S. dollars as financial support for 29 projects in the fields of hydropower, power grid, mining development, and financial cooperation. The Export-Import Bank of China provided financial support to Nam Ngum III Hydropower Station which is one of the key projects in the Five-Year Development Program of Laos.

Proactively addressing the difficulties and high-cost problem in financing encountered by local small and medium enterprises: With the background of commercial Chinese city banks, Lao China Bank Co. Ltd. has oriented its service to the local small and medium enterprises, making up for the market deficiency in this respect. Qualified SMEs can get financing without providing pledge guarantee, free from the traditional requirements of commercial banks for rating and credit granting. Through professional financial service, Chinese financial institutions have not only made active efforts to solve the financing difficulties of local SMEs, but also provided convenience for many local projects for people's livelihood. A good example is the loan provided timely by Lao China Bank Co. Ltd. to the LJ Road & Bridge Construction Company of Laos which facilitated the construction and enabled the company to complete the road and the relevant water supply and drainage project before the rainy season, greatly improving the appearance of Vientiane and the traffic condition of the city.

Attaching importance to business innovation to promote Laos' participation in the international financial market: With the support of Lao Government and Bank Of Lao P.D.R., ICBC Limited Vientiane Branch has become the first bank to make settlement in Renminbi. The Branch has also, in cooperation with China Export & Credit Insurance Corporation (Sinosure), taken the lead in handling the non-sovereign supported financing for the Lao Diplomatic Residential Project in the form of "credit insurance + bank", finding a new approach in solving the financing difficulty of enterprises, initiating a new way for Chinese financial institutions to offer overseas financing service. Giving full play to its own strength, the BOC Limited Vientiane Branch has made positive efforts (e.g. helping the Lao Government and state-owned enterprises to issue bonds overseas, and promoting Lao sovereign institutions to make investment in the Chinese market.) to promote the communication of

Laos with the international financial market and further enhance the internationalization of Renminbi in Laos.

Providing platforms for the development of local financial talents: With a view to supporting the long term development of the financial industry of Laos, Chinese financial institutions have made a point of cultivating local talents. The Lao China Bank, the ICBC Limited Vientiane Branch, the Bank of China Limited Vientiane Branch etc. have trained many local employees into backbone members of their business, and have provided opportunities for them to attend regular professional training in China. What is more, China Development Bank has offered scholarship for Laotian students to study in China.

(5) Aids to Laos to stimulate its demand

Laos takes international aid as an important means for revenue increase and social economic development. For the recent years, China has provided free aid and favorable loans to Laos for its infrastructure construction and livelihood projects in respect to roads, bridges, airports, hospitals, personnel training etc. These efforts have on one hand played a positive role for the social economic development and livelihood improvement of the recipient country, and on the other hand created larger room for bilateral cooperation in trade and investment.

2. The Belt and Road Initiative provides constant dynamics for China-Laos trade and economic cooperation

China's Belt and Road Initiative is of great significance to promote the economic development of Laos and the relation between China and Laos and other ASEAN countries. The China-Laos Railway, Saysettha Development Zone, Mohan-Boten Economic Cooperation Zone, the Ground Station for "Lao Sat-1" and other major Sino-Lao cooperative projects have not only created jobs and increased revenue for the relevant regions, but also brought about benefits to the long term development of Laos and provided steady dynamics for Sino-Lao trade and economic cooperation.

(1) Mutual connectivities shortens the distance between China and Laos

The fruitful achievements in mutual connectivity cooperation have shortened both geographical and emotional distance between the two countries. Construction of all the sections of the China-Laos Railway is now under way as planned. With the successful launching of "Lao Sat-1", the satellite communication and satellite live TV broadcast and other services have promoted cultural exchanges and communication between the people. Meanwhile cooperation in infrastructure projects like roads and bridges is also making steady headway.

i. The railway facilitates Lao dream of a "land-linked country"

The China-Laos railway is a model cooperation project under the Belt and Road Initiative. Construction began on Dec. 25th, 2016 and the whole railway is scheduled to open to traffic in December 2021.

As an important part of the middle section of the Pan-Asia railway, the China-Laos Railway is the first modern railway in Laos as well as the first railway beyond the Chinese border directly connected with China's railway network, and constructed mainly with Chinese investment and operated jointly by the two countries. The whole railway takes Chinese technological standard and Chinese equipment. The total investment is as much as 37.4 billion yuan (or 5.8 billion U.S. dollars) and Laos-China Railway Co. Ltd. is franchised for operation. Of the total length of 428 kilometers with 32 stations, over 62.7 percent is composed of bridges and tunnels. The designed speed is 160 kilometers per hour.

Route map of China-Laos railway



The China-Laos Railway is a major project of cooperation to which both countries attach great importance. The railway carries with it the Laotian dream for the transition from a “land-locked” to a “land-linked” country. After completion, it will help Laos to realize its strategy of cooperating and connecting with China and other ASEAN countries and of sustainable development of the country. After opening to traffic, the time taken from Mohan to Vientiane will be reduced to about 3 hours from nearly two days, which is of great significance to the economic development and employment of the provinces along the railway. In the future it can also be connected with the railways in Thailand, Malaysia, and Singapore, thus becoming a “steel silk road” for promoting the connection between and development of China and the relevant ASEAN countries.

ii. The satellite connects Laos with the world

Contracted to China Aerospace Science and Technology Corporation (CASC), work on “Lao Sat-1” “Lao Sat-1”“Lao Sat-1” communication satellite began on Dec. 1st, 2012. It was successfully launched in China in 2015 and passed on to Laos on March 9th, 2016.

“Lao Sat-1” is the first sovereign satellite of Laos. The application and the relevant extension in the industry based on the satellite belong to a new area in Laos. The satellite can provide such services as communication, live TV broadcast, Wi-Fi etc. for Laos and its neighboring countries.

By October 2017, “Lao Sat-1” had operated in orbit for more than 23 months, carrying out as planned in-orbit satellite management, live TV broadcast, communication, power supply and distribution guarantee, etc. providing comprehensive service to the economic and social development of Laos.

This is the first time for Chinese aerospace industry to export communication broadcast satellite and the auxiliary ground system to an ASEAN country. It is also the first time for Chinese aerospace industry to put forward the new model of “space and ground integrated + commercial operation” to overseas customers. This project also plays a demonstration role in the cooperation in the high-tech field between China and countries related to the B&R Initiative.

(2) Production capacity cooperation improves economic strength

Making active efforts in production capacity cooperation, the two countries have completed a series of large projects most required by Laos with energy and power taking the lead, making positive contribution to the economic social development of Laos.

i. Construction of large hydropower stations better secures the guarantee for energy supply in Laos

At present, the two countries are boosting the construction of a series of large hydropower stations including the Nam Ou River hydropower project, Nam Ngum III Hydropower Station and Nam Ngum 5 hydropower stations, Pak Lay Hydropower Station etc. increasing energy supply guarantees for Laos.

With the total investment of 2.735 billion U.S. dollars and the total installed capacity of 1272 megawatts, the average annual electricity production by Nam Ou river hydropower project is as much as 5 billion kilowatt hours. All the units of the first-stage project began generating electricity in 2016, and the second stage project will be put into production in 2020. This is the first time for Chinese enterprises to gain the development right for the whole basin of an overseas river as well as the first time to develop a project under the whole basin plan. It has provided an example for other foreign-invested projects in Laos.

During his inspection of the Nam Ou river hydropower project in November 2017, the Lao Premier Thongloun said the hydropower project constructed with Chinese investment is playing a leading role in the local economic and social development, greatly improving public services of the surrounding villages in education, medical treatment etc. Meanwhile the project has made distinguished contribution to poverty relief, livelihood and development of immigrants, improvement of infrastructure, ecological and environmental protection, medical treatment and education etc., setting a good example for other foreign-invested projects.

ii. Power projects forms integrated power grid in Laos

The power grid in the northern part of Laos is the first project of its kind constructed through bilateral cooperation under the Belt and Road framework, as well as a key project in the state energy strategy of Laos. Contracted by Yunnan International Co., Ltd of China Southern Power Grid (SCG), construction of the project began in 2014 spanning 4 provinces in north Laos for the total contract amount of 302 million U.S. dollars. The operation of the project will put an end to the history of an isolated power grid operating in north Laos, forming an integrated nation-wide high voltage backbone grid. What is more, it has reserved an interface with the power grid of SCG, making it possible for Laos to supply power across the border.

(3) Construction of development zones promotes mutual opening-up

The two countries have made active efforts in promoting cooperation in development zones. As key projects in furthering the opening of Laos, the Vientiane Saysettha Development Zone and Mohan-Boten Economic Cooperation Zone across the border have become new engines of economic growth of Laos.

i. The Vientiane Saysettha Development Zone provides a new platform for investment cooperation

This development zone is a national level cooperation project jointly decided by the governments of the two countries. It is China's only national level trade and economic cooperation zone in Laos, as well as a special economic zone of Laos.

Constituting the core area of the new town of Vientiane, this development zone involves mainly energy, chemical industry, machine

building, agricultural produce processing, warehousing and logistics etc. In August 2016, the development zone became China's national level trade and economic cooperation zone abroad.

The development zone is defined to include "one town and four areas", namely the Vientiane New Town of industry and ecology, the International Production Capacity Cooperation Area, China-Laos Cooperative Development Model Area, Vientiane New Town Core Area, and Habitable Area with harmonious environment. Following the developing pattern of "industrial zone + Vientiane New Town", the development zone will, with the city as its basis, accommodate industry space for the development of industrial economy. And with the industry as the guaranty, it will promote city upgrading and improve systematic services to realize industry-city integration.

According to the plan, construction of the development zone will be carried out in 3 stages. After completion, it is expected to attract about 150 enterprises with an annual output of 6 billion U.S. dollars, creating 30,000 jobs for the region and providing 0.3 billion U.S. dollars revenue to the Vientiane Municipal Government and the Lao Government.

By the beginning of May 2017, the Saysettha Develop Zone had already received an accumulated amount of nearly 0.3 billion U.S. dollars of investment. With the first stage infrastructure construction practically completed, 36 enterprises had entered the zone as contracted, covering such industries as agricultural produce processing, clean energy production, logistics and trade, machine manufacturing, electrical equipment, industry standard construction etc. with a planned total investment amounting to 0.36 billion U.S. dollars.

ii. The Mohan-Boten Economic Cooperation Zone promotes the development and opening of the border areas of the two countries

This cooperation zone represents an important step for the two countries to innovate cooperation pattern and accelerate opening-up. Its construction will promote the development and opening-up of the border areas of the two countries, giving full play to its geographically radiating and leading role and demonstration effect.

As China's first cross border cooperation zone in its southwest, its construction began in 2016. Spanning China's Yunnan Province and Laos' Louang Namtha Province, the zone reaches Mohan town in the east, China-Laos border in the south, Molong village in the west, and the tea farm of Shanggan Village in the north. Now construction and development are still under way.

By means of the transportation conditions as planned, this economic cooperation zone takes the areas along the Kunming-Bangkok Road and the China-Laos Railway as its economic belt, and the Mohan , Boten International Trade and Financial Areas as two centers, forming a focal area for comprehensive service, bonded logistics, trade, finance, tourism etc. To give full play to the comparative advantages of each country, the Chinese area mainly develops headquarters economy while the Lao area concentrates on manufacturing. Meanwhile the two sides strengthen cooperation in commerce and trade, modern logistics, tourism etc. so as to form a pattern of joint development with high degree integration and complementarity. In respect of infrastructure construction, efforts are made to enhance the transportation projects such as railway, highway, airport relevant to the cooperative zones. Meanwhile adequate attention is paid to municipal infrastructure projects in water supply, electricity supply, garbage and sewage treatment, so as to strengthen hardware support to these zones.

As part of the Mohan-Boten Economic Cooperation Zone, the Boten Special Economic Zone started construction on Dec. 18, 2016. Neighboring the Mohan Port of China, Boten is Laos' national level land port to China, its gateway along the international Kunming-Kunming Road, and the first station in Laos along the middle line of the Pan-Asia railway. Laos intends to turn Boten into its “Hong Kong” , and the construction and operation of the Boten Zone is undertaken by Chinese companies.

3. Broad prospects of multi-field China-Laos economic cooperation

With high degree of alignment and complementarity in both geographical position, social culture, and economic characteristics, development strategy, China and Laos have broad prospects for cooperation in many fields.

China and Laos are comprehensive strategic cooperation partners. In November 2017, Chinese president Xi Jinping made a state visit to Laos during which the two countries reached agreement on deepening their strategic connection. Extensive practical cooperation will be carried out under the framework of China's Belt and Road Initiative, "the 13th Five-Year Plan", and Laos' state policies of "Turning itself from a Land-locked Country into a Land-Linked Country", "8th Five-Year Plan", and "Building Laos into a Battery of Southeast Asia".

There is strong complementarity between the two economies. Already in the medium stage of industrialization, China has its equipment level at the middle of the global industrial chain with high performance-cost ratio, whereas Laos is still in the primary stage of industrialization and is in urgent need of China's capital, technology, and talents.

As neighbors, people in the border areas of the two countries share similar food and culture and can communicate smoothly. The China-Laos Railway, after completion, will greatly improve the communication and transportation and further strengthen the economic ties of the two countries.

(1) Great space for Lao economic development

i. Laos' stable society, magnanimous culture and great room for economic development

As an inland country in the north of Indo-China Peninsular, Laos borders China to the north, Cambodia to the south, Vietnam to the east, Myanmar to the northwest, and Thailand to the southwest. Its population in 2016 was 6.5 million, with Buddhism as the state religion and Laotian as the common language. Laos enjoys good social conditions, and follows the socialist system with the People's Revolutionary Party as the only political party. It has diplomatic relations with 138 countries and joined the ASEAN in July 1997. Persisting in the foreign policy of "Making

friends extensively and enemies as few as possible”, Laos has made a point of strengthening comprehensive strategic cooperation with China, maintaining friendly neighbor relations with ASEAN countries, and making positive efforts for international economic and technological assistance.

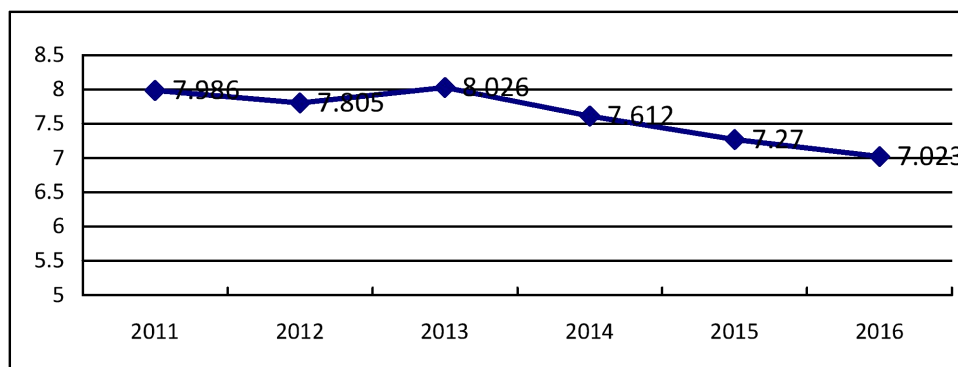
Laos has great development potential with rich mineral, hydropower, and forest resources. On the other hand, its economy is small in size, with agriculture as the main sector, weak in industry foundation without heavy industry. Its service industry began development pretty late on a weak basis. But it gained tremendous development after adopting the policy of reform and opening-up, particularly in tourism which has become an emerging industry. Now agriculture, hydropower, mining, and tourism are the advantageous sectors in the economy of the country.

Laos enjoys political and social stability and peace and good social environment with people amicable and no conflicts between ethnic groups, religions, and political parties, not to mention riots and rebellious armed struggles. And there are no border contradictions and conflicts with neighboring countries. 85 percent of the Lao people are believers of Buddhism which enjoys a high position in Lao society, politics, and daily life. In human relations, the Lao people are mostly sincere and modest.

ii. The potential of Lao economy to maintain medium-to- high growth

The economy of Laos has been developing at medium-to-high speed for the recent years, registering a 7.02 percent growth rate in 2016. Investment and consumption of the people have been the major driving force for the growth. The rate of increase is not only much higher than the global average, but also prevails over the average figure of 6.5 percent gained by the emerging Asian economies. Laos still has the potential for medium-to-high speed of economic growth in the future. According to the prediction of the think tank of the Economist, the 2017 growth rate of Laos will be 7.7 percent. And the IMF predicts the increase rate of Laos in the years 2017-2021 will reach 7 percent and even higher.

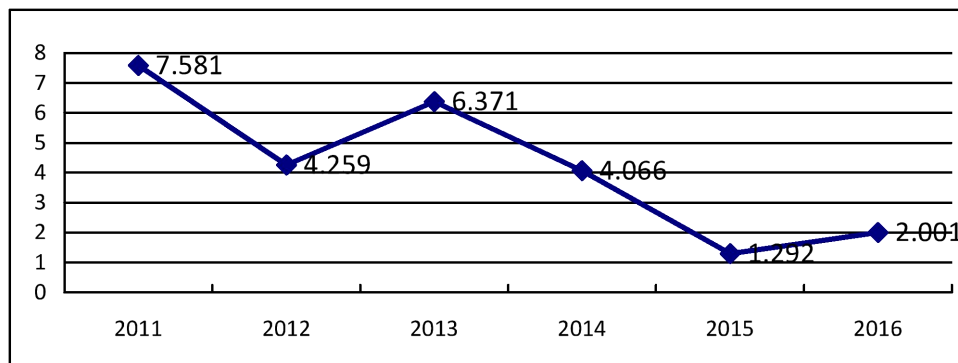
Actual GDP Growth Rate of Laos (%)



Source: International Monetary Fund (IMF)

The price level in Laos is fairly low, with insignificant pressure for inflation which has showed an overall decreasing tendency for the recent years.

Inflation rate in Laos (average figure, %)



Source: International Monetary Fund (IMF)

The overall unemployment rate of the country is fairly low, only 1.4 percent in 2015 according to the data of the World Bank. Employment is mostly in the agricultural sector, and there has been increasing employment in the industrial sector.

Registered unemployment rate and youth unemployment rate in Laos

	Registered unemployment	Youth unemployment rate (%)

	rate (%)	
2014	1.3	3.4
2015	1.4	n.a.
2016	n.a.	n.a.

Source: the World Bank

iii. Economic development program brings favorable policies

In April 2016, the First Session of the Eighth National Assembly (Laos) adopted the Eighth Five-Year Social Economic Development Program (2016-2020) and the Ten-Year Long Term Program (2016-2025) as well as the prospective program for 2030.

The 8th Five-Year National Social and Economic Development Plan (2016-2020) is to maintain the annual growth rate at the minimum of 7.5 percent and get rid of the label of least-developed country by 2020, increasing the per capita GDP from the present 1,970 U.S. dollars to 3,190 U.S. dollars with a population exceeding 7 million. Another major goal is to reduce the poverty rate to below 10 percent of the national population and increase the literacy rate of the people of and above 15 years old to 95 percent of the total population by 2020. Meanwhile the expansion of the medical care network will be guaranteed. The goal of annual economic growth rate set in the Ten-Year Development Strategy is no lower than 7.5 percent, with the average per capita GDP of 2025 exceeding the 2015 figure of 1,970 U.S. dollars by three times, and the poverty rate lowered to below 5 percent. And the goal of the 2030 long term prospect for Laos is to become a medium income country.

In November 2016, the Lao Government approved the proposal for adjusting the economic development plan, i.e. setting the average annual growth rate at 7.2 percent during 2017-2020, with the accumulated GDP of the four years reaching 73 billion U.S. dollars and per capita GDP reaching 2,978 U.S. dollars by the end of 2020.

Laos encourages foreign investment mainly in the fields of electric power development, production and processing of agricultural and forest produce, breeding industry, processing industry, handicraft industry, service industry etc.

Meanwhile, the Lao Government is, as planned, providing targeted support to key projects along the China-Laos railway in the fields of industry, tourism, logistics, grain processing etc., promoting the benign interaction between the railway and the economy along it.

(2) Acceleration of the alignment of the development strategies of China and Laos

The two countries have similar ideas in respect of development, and there is high degree of agreement between China-proposed Belt and Road Initiative and Laos' strategy of "Turning Itself from a Land-Locked Country into a Land-Linked Country", and between the "13th Five-Year Program" of the former and the "Eighth Five-Year Program" of the latter. Now the two countries have decided to further deepen their strategic alignment and will expand pluralistic multi-level cooperation in the fields of mutual concern so as to constantly innovate the cooperation mechanism, pattern, and contents, and create a community of shared futures through mutual assistance.

Chinese Premier Li Keqiang visited Laos in September 2016 during which the two countries signed the "Memorandum of Understanding between the People's Republic of China and the Lao People's Democratic Republic on Compiling An Outline Program for Jointly Promoting the Cooperation in B&R Construction". This is the first inter-governmental document for cooperation in joint construction of Belt and Road Initiative signed between China and a country along the China-Indochina Peninsula Economic Corridor (CICPEC).

In May 2017, Lao President Bounnhang attended the High Level Forum for International Cooperation on Belt and Road Initiative in Beijing during which an important new consensus was reached between the presidents of the two countries for jointly promoting the construction of B&R. A series of cooperative agreements were signed such as the "Bilateral Cooperative Program for Joint Construction of B&R" and the "Guideline Principles for B&R Financing".

In November 2017, Chinese President Xi Jinping paid a state visit to Laos. During the visit, leaders of both countries agreed to jointly build a community of a shared future of strategic significance for China and Laos, accelerate the alignment of China-proposed Belt and Road Initiative and Laotian strategy of "Turning a Land-locked Country into a Land-Linked Country", jointly construct China-Laos Economic Corridor, enhance landmark projects like the China-Laos Railway, upgrade the scale and level of trade and economic cooperation, promote the complementation of the advantages of the two economies, deepen the cooperation in production capacity, finance, agriculture, energy, resources, water conservancy, communication, infrastructure construction, health and

medical care etc. and promote the provision of benefits to the grass root people through pragmatic cooperation. The leaders of the two countries also witnessed the signing of cooperative documents in respect of China-Laos Economic Corridor, infrastructure, digital silk road, science and technology, agriculture, electric power, human resources, finance, water conservancy, etc.

The following agreements signed in recent years will further facilitate trade and economic cooperation between the two countries: “Agreement on Confirming and Jointly Promoting Key Projects for Cooperation in Production Capacity and Investment”, “Framework Agreement on Joint Compiling Special Program for Economic Development in Such Key Fields as Lao Electric Power Projects, Comprehensive Development along China-Laos Railway, and Tourism”, “Supplementary Agreement on Economic and Technological Cooperation Planning”, “Implementation Plan of Cultural Cooperation between 2016 and 2018”, “Arrangement on Customs Clearance Facilitation Cooperation”, “Memorandum of Understanding on Bilateral Banking Supervision Cooperation”, “Agreement Between the Foreign Ministry of the People’s Republic of China and the Foreign Ministry of the People’s Democratic Republic Laos on Strengthening Cooperation under the New Situation”.

(3) Strong complementation between the two economies

There is strong complementation between the two economies. Already in the medium stage of industrialization, China has its equipment level in the middle of the global industry chain with high performance-cost ratio, while Laos is still in the primary stage of industrialization and is in urgent need of China’s capital, technology, and talents. There is considerable investment potential between the two countries in agriculture, infrastructure, manufacturing, energy, tourism, etc. The construction and completion of China-Laos Railway will further promote cooperation in building material, services, logistics, catering, ecological agriculture planting, as well as processing, mining, light industry etc.

Meanwhile Laos is also improving its laws. Legal service is another field meriting key attention as more and more foreign especially Chinese enterprises are making investment in Laos and have considerable need for legal services and consultation. Other industries in considerable requirement are tourism, business reception, translation and interpretation.

i. Agriculture

Agriculture is one of the key fields which the Lao Government encourages foreign enterprises to make investment in as well as the key area for China-Laos investment cooperation.

Chinese President Xi Jinping visited Laos in November 2017 and met with Lao President Bounnhang Vorachit who said that the agriculture of Laos, though enjoying favorable natural conditions, had difficulty with fund and technology. Xi expressed the idea that agriculture can become the key area for mutual cooperation, and China can not only help Laos to give full play to its natural advantages but also help more people out of poverty.

Laos has good conditions for agricultural development. First, its population density is low with only 25 people per square kilometer whereas it has extensive arable land of 8 million hectares of which 4.7 million hectares are for agriculture. Second, its rich land resources have fertile soil. Third, the country enjoys favorable climate conditions with long sunshine and plenty rainfall, very suitable for growing grain, cash crops, and tropical fruits. Major crops of Laos include rice, maize, potatoes, café, tobacco, peanuts, cotton, etc.

There is great complementarity between the two countries in the agricultural field. On one hand, despite rich resources, agriculture of Laos is underdeveloped with low technological level, narrow market, and insufficient talents. On the other hand, China's agriculture has advantages in fund, technology and management, with a large market for consumption.

The governments of both China and Laos attach great importance to promoting cooperation in agriculture. During the visit by Lao President Bounnhang to China in 2016, the two countries signed the "Joint Statement between China and Laos" specifying that both sides are to strengthen agricultural exchanges and communication, promote trade and cooperation in pollution-free farm produce, further improve cooperation in seed breeding, agricultural machinery, and research and development of biological energy. The two countries will expand cooperation at local level, especially exchanges and cooperation between bordering provinces, and will give full play to the cooperation mechanism between China's Yunnan Province and the northern part of Laos. Great efforts are to be made to develop substitute plants in the bordering regions in combination with drug control cooperation.

The China-Laos Railway boosts the construction of agricultural zones. Motivated by this railway, cooperation projects in agricultural zone construction have been developing rapidly in recent years. Such examples are “Yunnan-Oudomxay Demonstration Park of Agricultural Technology”, “Guangxi-Champasak Base for Experimentation of New Varieties of Chinese Fruits and Vegetables”, and “Chongqing (Laos) Comprehensive Agricultural Park”. The Lao Ministry of Agriculture and Forestry is, on the strength of the China-Laos railway, planning to create a modern Sino-Lao Agriculture Park integrating farm produce processing, warehousing, logistics, and science and technology, making the park the largest, most influential platform for agricultural produce transaction.

The two countries have potential for future cooperation in four areas. They are: mechanical planting of grain crops; organic agricultural produce; timber processing, and renewable marsh gas development.

ii. Manufacturing

Laos is also endeavoring to take the opportunity against the background of Sino-Lao common promotion of production capacity so as to enhance its industrialization and the development of its export oriented manufacturing. Since 2016, the Lao Government has made constant efforts to promote the development of its industrial sector especially handicraft and manufacturing, and Chinese enterprises have a good opportunity in the development of manufacturing in Laos.

Laos has some special advantage in developing export oriented manufacturing. Laos is classified as a least developed country by the United Nations, which is a basic judgment of its overall economic and social development. This, however, can be taken as a favorable condition for Sino-Lao cooperation. According to the WTO trade agreement and many regional and bilateral trade agreements, export goods of least developed countries, based on Generalized System of Preferences (GSP), enjoy free tariff of the importing countries. So Chinese enterprises taking the European and American markets as target for export can transfer their production line to Laos to enjoy GSP treatment for reduction of the cost of production and sales. At the same time border trade is also free from the Most Favored Nations treatment according to the stipulation of WTO trade agreement. That is also a good condition for the two immediate neighbors of China and Laos to promote their trade and economic cooperation through strengthening their border trade.

The key areas of cooperation between the two countries in manufacturing include:

Engineering machinery

With the development of aid by the Chinese Government, more and more Chinese engineering companies are taking part in the construction of Laos, providing opportunities for China's engineering machinery manufacturers. These manufacturers can take the initiative in contacting the local dealers in Laos so as to develop the Lao market and provide high quality engineering machinery products and services.

Agricultural machinery

China has reached a considerably high level in producing machinery, tools, pesticides, chemical fertilizer, vehicles in the agricultural field, and Laos imports a lot of such products every year from China. Chinese enterprises can transfer relevant production directly to Laos to gain new competitive advantage.

Automobiles

With the acceleration of its economic development and urbanization, Laos's requirement for automobiles has been increasing step by step. Mountainous areas and plateaus constitute 80 percent of its territory, and so the people of Laos prefer pick-up vehicles which take up 50 percent of the local automobile market. At present, most of the automobiles in Laos are imported from Japan and South Korea. Chinese brands vehicles such as Foton, Lifan, Geely, JAC, Chery, BYD have entered the Lao market in recent years. They are well received for their high performance-cost ratio, though their proportion in the local market is not very large.

Medical devices

With the development of medical care in Laos, ordinary employees and people enjoy free medical service. Now Laos still relies on donations from developed countries (particularly Japan) for purchase of medical apparatus which cannot meet its basic requirement. There is a large potential for the development of the relevant market in Laos.

iii. Transportation infrastructure

As the only inland country in Southeast Asia, highway transportation constitutes 82 percent of total transportation volume of Laos. But its road transportation development level is behind other ASEAN countries, and its backward transportation infrastructure is in urgent need for upgrading.

Inspired by China's proposition of "Mutual Connectivity", Laos put forward the strategic idea of turning the "Land-locked Country" into a

“Land-linked Country”. With the gradual proceeding of China-Laos Railway and Belt and Road construction, the idea has been upgraded into a national strategy to turn Laos from a country with poor transportation into a hub of mutual connectivity with neighboring countries and a pivot of connectivity between China and the ASEAN region. To realize this objective, the Lao Government will encourage state institutions and private capital to make joint investment and apply for international assistance.

iv. Energy

Hydropower is the major source of Laos’ electricity. Its rich hydropower resources can be tapped for export apart from domestic consumption, and its inland rivers are developed with good returns. However, limited by fund and technology, its hydropower potential has not yet been fully tapped, and some villages and even counties have no access to electricity, leaving a large room for power development. Statistics of the Asian Development Bank show that over 100 remote mountainous areas and 14 percent households have no access to electricity.

“Enriching the Country with Hydropower” is the state strategy for the economic development of Laos. The Lao Government attaches great importance to the development and use of hydropower resources, putting forward the goal of building the country into the “Battery of Indo-China Peninsular” , which provides strategic basis for the country to get rid of poverty and realize industrialization and modernization. At present the two countries are carrying out smooth cooperation in the hydropower field, and the Lao Government welcomes more Chinese enterprises to Laos to develop hydropower resources.

v. Tourism

Situated in the Mekong River Basin, Laos is rich in sightseeing resources, boasting 1,900 tourism sites including 1,000 natural scenic spots, 534 cultural heritage sites and about 300 places of historic relics. The beautiful scenery and simple and natural environment make tourism the country’s second largest pillar industry after mining. The Lao Government predicts that there will be over 6.2 million tourists to visit the country in 2020 and its tourism revenue will reach 1 billion U.S. dollars.

To promote the development of tourism, Laos has adopted many

new measures to develop the market, with regional tourism integration and combined cross-border tourism as important strategies. Giving high expectations to China, Laos began to quicken up the steps in January 2017 for cooperative development of tourism of its 3 northern provinces and the Xishuangbanna Region of China to promote the construction of the cooperative cross-border tourism area and the experimental border tourism area.

To absorb more tourists from neighboring countries, Laos further simplified the relevant visa application procedures in February 2017. According to the new regulation, it is only necessary for Chinese tourists to produce a passport or a travel permit to enter Laos. Now Laos has opened 15 international tourism ports and signed cooperation agreements with over 500 foreign tourism companies.

Now there are quite a number of direct air routes between Laos and China, which greatly enhanced the rapid development of bilateral cooperation. By the completion of the China-Laos Railway in 2021, more Chinese tourists will be able to go to Laos by train.

In October 2017, the Lao Government officially launched the 2018 Tourism Year. Many tourism products with special features are offered for Chinese tourists. The goal of Laos is to attract 5 million tourists, earning 900 million U.S. dollars. The Chinese Government has expressed its support to Laos for its “Visit Laos Year 2018”.

vi. Logistics

For its inadequate infrastructure, the cost of logistics of Laos is fairly high, becoming the major obstacle for the development of the transportation sectors, and producing considerable impediment to foreign investment. Surveys show the logistics cost of Laos is twice as much as that of other ASEAN countries. Under such circumstances, it is imperative for Laos to develop modern logistics so as to promote the growth of the relevant economic sectors.

At present, there is not a large logistics distribution center in Southeast Asia, and countries conduct commodity exchanges through different channels, leading to high logistics cost and low efficiency and service quality.

With favorable geographical position, and political and social stability, Laos has the advantageous condition to become the hub of communication and transportation of the region. With the rapid economic development in recent years, and the construction and operation of the

China-Laos Railway, the inland country Laos will become a transportation center, suitable for the construction of a logistics distribution center.

vii. Internet economy

Internet economy is still a new concept for Laos. According to its data, internet usage rate of the country is only 15.7 percent, without laws and knowhow to support the development of electronic commerce, and lacking electronic banking and credit card system for internet payment.

But with the leaping development of Laos' communications and Internet, smart phone and mobile Internet have developed rapidly in Laos. The country known as an e-commerce “desert” with robust demand for Internet development is becoming a “blue ocean” for the Internet economy.

With its internet economic development level at the forefront of the world, China has strong comparative advantage in developing electronic commerce in Laos. Now the construction of a series of infrastructure projects, typically the China-Laos railway, is accelerated. Laos will enjoy better geographical advantage with the improvement of international logistics efficiency and the reduction of cost after it is turned from a “Land-locked” into a “Land-linked” country. Now the Laotian market is attracting a large number of young people from China to start their business here.

(4) Special economic zones and specific economic zones of Laos providing many business opportunities

Laos is making active efforts to promote opening-up through constructing special economic zones. On one hand, large scale construction of such zones has brought about a lot of requirements for infrastructure construction; on the other hand, so many business opportunities and encouraging policies have created more investment opportunities for Chinese enterprises.

By October 2017, the Lao Government had approved a total number of 13 special economic zones and specific economic zones occupying an area of 20,000 hectares. They include 5 special economic zones and 8 specific economic zones. According to the “Strategic Development Plan of Special Economic Zones and Specific Economic Zones, 2011-2020” formulated by the Lao Government, Laos will build 10 special

economic zones and 29 specific economic zones in 41 targeted regions and will offer favorable policies of great competitiveness.

The above mentioned 13 zones of Laos have provided many business opportunities in manufacturing, service industry, and tourism. Also provided are encouraging policies especially favorable treatment in tax relief. Import commodities and services by enterprises allowed to enter the zones are free from value added tax if they are used, processed, and sold in the zones. Investors in the zones with business permit enjoy profit tax relief. Business operators who export more than 70 percent of their total production or engage in manufacturing or assembling high-tech equipment, instruments, and other high-tech products enjoy 10-year tax holidays after which the tax rate for them is only 6 percent.

Statistics of Laos show that the economic zones have attracted 160 Chinese enterprises into them with a registered capital of 1.55 billion U.S. dollars, constituting 23 percent of the total investment in the zones. Of the Chinese investment, industry investment makes up 38 percent, trade investment, 38 percent, and services investment, 24 percent. Under the Belt and Road Initiative, Chinese and Lao enterprises will have great potential for cooperation in the construction of and investment in the economic zones.

Special and Specific Economic Zones of Laos (by Oct. 2017)

No.	Special and specific Economic Zones	Establishment
1	Savan-Seno Special Economic Zone	2003
2	Boten Beautiful Land Specific Economic Zone	2003
3	Golden Triangle Special Economic Zone	2007
4	Vientiane Industrial and Trade Area	2011
5	Saysetha Development Zone	2010
6	Phoukhyo Specific Economic Zone	2010
7	Thatluang Lake Specific Economic Zone	2011
8	Vientiane-Longthanh Specific Economic Zone	2012
9	Dongphosy Specific Economic Zone	2012
10	Thakhek Specific Economic Zone	2012
11	Xieng khouang Special Economic Zone	2011
12	Champasak Special Economic Zone	Sept. 2015

13	Luang Prabang Special Economic Zone	Jan.2016
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Source: Lao Ministry of Planning and Investment

i. Five Special Economic Zones of Laos

a) Savan-Seno Special Economic Zone

This economic zone is located in the East-West Economic Corridor (EWEC) crossing Indo-China Peninsular. Developed by the United Nations and some Asian countries, the EWEC runs through four countries for 1450 kilometers in length, from Da Nang of Vietnam, via Savannakhet of Laos, across Thailand, to Moulmein Port of Myanmar. The corridor can shorten the ocean shipping voyage from Asia to Europe or America by 10 days or 3,000 nautical miles, hence being named “Golden Corridor”. Occupying an area of 234 hectares, the Savan Park can take full advantage of the strengths of this economic corridor. Nearly 70 enterprises mainly from Canada, the Netherlands, France, Japan, South Korea, Malaysia, Thailand, and Hong Kong of China have registered in this zone.

a) Savan - Seno Special Economic Zone			
Location	Savannakhet Province in the middle of Laos, near Thailand.		
Establishment	2003 (Land Tenure 75 years)		
Total Investment	74 million U.S. dollars		
Developer	100 percent by the Lao Government.		
Electric charge	#0.088 U.S. dollars/kwh	Water charge	0.68 U.S. dollars/m ²
Project Area	954 hectares	Land Leasing	0.3 U.S. dollars/m ² /year
Location Advantages	The project is close to Road No.9 as a part of East-West Economic Corridor and the Second Lao-Thai Friendship Bridge.		
Tax Incentives by Sector	1) 2-10 years holidays for business income tax for service industry beyond which tax to be levied by 8 percent to 10 percent of total investment; 2) 2-5 years holidays for business income tax for trade beyond which tax to be levied by 10 percent of business income tax; 3) 5-10 years holidays for business income tax for industry beyond which tax to be levied by 8 percent of business income tax.		
Investment Projects	# Service Sector: 1. Banking, Financial Institution and	# Distribution Logistics Service Sector:	

	Insurance. 2. Tourism Promotion Service. 3. Hotel, Resort, Restaurant. 4. Amusement Park, Entertainment Center, Sport Center. 5. Conference Hall, Skills Center. 6. Office Construction for rent, Guest House. 7. School, Hospital.	14. Transportation Business. 15. Distribution Service. 16. Warehouse, Cool Storage.
	# Trade Sector: 8. Duty Free Shop. 9. Duty Free Border Trade. 10. Import-Export Business. 11. Exhibition -Trade Promotion Center. 12. Department Store. 13. Wholesale-Retail Store.	# Industrial Sector: 17. Electrical Wire Manufacturing Factory. 18. Food-Processing Factory. 19. Wood Products Industry. 20. Textile, Shoe, Bag Manufacturing Plant. 21. Automobile Assembly Plant and other Electronic Parts Assembly Plant.

Source: Lao Ministry of Planning and Investment

b) Golden Triangle Special Economic Zone

Situated in Tonpheung county, Bokeo Province, the Economic Zone is by the Mekong River, facing Chiang Saen of Thailand and Tachilek of Myanmar across the river. This special zone enjoys high degree autonomy except for national defense, foreign relations, and jurisdiction, being the first beyond border enterprise special zone in the world.

b) Golden Triangle Special Economic Zone			
Location	Tonpheung County, Bokeo Province		
Establishment	2007	Total Investment	86,600,000 U.S. dollars
Project Area	3,000 hectare	Franchise Period	50 years
Developer	Lao Government + private enterprises (Chinese)		
Location Advantage	The project is situated on borders of two countries: Thailand and Myanmar.		
Investment Projects	1. Construction of Economic Infrastructures. 2. Agriculture, Livestock, Manufacturing. 3. Hotel and Residential Area. 4. Tourism and Special Colorful Display. 5. Golf Field. 6. Educational Institution and Health Treatment Center. 7. Business and International Trade Area. 8. Development of Real Estates.		

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| <ul style="list-style-type: none"> 9. Banking, Insurance and Financial Institution. 10. Post, Telecommunication, Internet, Advertisement and Printing. 11. Transportation of Goods and Passenger. 12. Development of Tourism and Entertainment Zone. 13. Restaurants and Bars. 14. Warehouse, Duty Free Shop and Duty Free Area. |
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Source: Lao Ministry of Planning and Investment

c) Xieng Khouang Special Economic Zone

Situated in the northeast of Laos, the Xieng Khouang Province borders Vietnam to the east, with Xieng Khouang as its capital. According to the plan, the special zone will cover 261 sq. km. with a population of 500,000 to 800,000. The zone is divided into four functional parts, that is, “new capital for culture, new city for ecology, new place for tourism, and new area for industry”. The planned projects include city construction, development, administration, investment invitation, operation as well as prospecting and mining within 500 sq. kilometers.

d) Champasak Special Economic Zone

This economic zone is oriented for the service industry for enhancing investment in light and heavy industry as well as relevant service industries. Situated in the Pakse County, the Champasak Service Special Economic Zone occupies an area of 800 hectares with an estimated total investment of 100 million U.S. dollars and a franchised land operation period of 50 years.

In December 2016, China Investment Group and the Champasak Provincial Government signed an agreement, planning to invest 10 billion U.S. dollars to develop the Champasak Special Economic Zone. Then investors from South Korea, Japan, Singapore, the Philippines also expressed interest in making investment in the province, with tourism and manufacturing as the fields of their attention.

e) Luang Prabang Special Economic Zone

Situated in the outlying areas of Chomphet County and Luang Prabang County of Luang Prabang Province, the special economic zone occupying an area of 4,850 hectares, plans to require an investment of 1.2 billion U.S. dollars and provides a franchised operation period of 99 years. Through single window service, the economic zone will attract more investment in trade and tourism and will be designed into a new city

covering a wide field of real estate development, international high school, medical center, department store, bank and other financial institutions, hotel, entertainment place, sport center, cultural center, etc.

i. Eight specific economic zones of Laos

a) Boten Beautiful Land Specific Economic Zone

a) Boten Beautiful Land Specific Economic Zone			
Location	Namtha County, Louangnamtha Province		
Establishment	2003	Total Investment	500 million U.S. dollars
Project Area	1,640 hectares	Franchised Period	50 years
Developer	Chinese private enterprises take up 100 percent of the development right.		
Location Advantages	The project is geographically located adjacent to Road A3 (linking Kunmin and Bangkok) as a strategic route to connect to ASEAN+3 (China, Korea and Japan).		
Investment Projects	<ol style="list-style-type: none"> 1. Agriculture, Livestock, Manufacturing Industries. 2. Cultural Center, 5 Star Hotel, Resort. 3. Golf Course, Tourism Spots. 4. Education Institution, Public Health Center. 5. Business and Trade Area. 6. Development of Real Estate and Financial Institution: Banking, Stock Market. 7. Post and Telecommunication. 8. Warehouse and Distribution Logistics Area 		

Source: Lao Ministry of Planning and Investment

b) Vientiane Industrial and Trade Area

b) Vientiane Industrial and Trade Area			
Location	Saythany District, Vientiane Capital		
Establishment	2009	Total Investment	43 million U.S. dollars
Project Area	110 hectares	Franchised Period	75 years
Developer	Government + Chinese Private Enterprises (from Taipei)		
Location Advantages	The project is located 22 km away from the center of Vientiane Capital.		
Land Leasing	0.025-0.06 U.S. dollars/m ² /month;		
Electricity	0.059-0.065 U.S. dollars/Kwh	Water Charge	0.25-0.35 U.S. dollars/

Charge			m ³ .
Investment Projects	1. Industries (Textile, Shoe, Cloth, Bicycle, Electronic Parts Manufacturing Plant). 2. Commerce (Retail Store, Trade Center, Commercial Building). 3. Services (Training Center, School, Hospital, Hotel).		

Source: Lao Ministry of Planning and Investment

c) Saysetha Development Zone

c) Saysetha Development Zone			
Location	Saysetha District, Vientiane Capital		
Establishment	2010	Total Investment	128 million U.S. dollars
Project Area	1,000 hectares	Franchised Period	50 years
Developer	Government + Private Enterprises (Laos & Chinese)		
Location Advantage	The project is situated in the center of Vientiane Capital.		
Investment Projects	1. Agricultural Products Industry. 2. Wood Manufacturing Industry. 3. Light Industry. 4. Tourism-Services. 5. Electric Appliance Manufacturing Industry. 6. Machinery Industry. 7. New Energy Industry.		

Source: Lao Ministry of Planning and Investment

d) Phoukhyo Specific Economic Zone

d) Phoukhyo Specific Economic Zone			
Location	Thakhek, Khammuane Province		
Establishment	2010	Total Investment	708 million U.S. dollars
Project Area	4,850 hectares	Franchised Period	99 years
Electricity Charge	0.06-0.08 U.S. dollars/Kwh	Water Charge	0.07-0.79 U.S. dollars/m ³ .
developer	100 percent private enterprises (Laos)		
Location Advantage	The project site integrates the advantages of tourism area and trade area, with convenient communication, being the important hub connecting Laos, Vietnam, and Thailand. It is located 14 km away from the Third Lao-Thai Friendship Bridge and close to Road No.12 as a main route to Voung Anh, a deep Sea Port of Vietnam.		

<p>Tax Incentives by Sector</p>	<ul style="list-style-type: none"> - Finance, Education and Public Health sector will be granted the exemption of profit tax for a period of 3 - 6 years and afterward 3 - 4 percent corporate profit tax will be applied. - Tourism, Sport and Agriculture sector will be granted the exemption of profit tax for a period of 3 - 7 years and afterward 4 - 5 percent corporate profit tax will be applied. - Trade, Transportation and Services sector will be granted the exemption of profit tax for a period of 3 - 8 years and afterward 5 - 6 percent corporate profit tax will be applied. - Light Industries sector will be granted the exemption of profit tax for a period of 3 - 9 years and afterward 6 - 7 percent corporate profit tax will be applied. - Industries sector will be granted the exemption of profit tax for a period of 3 - 10 years and afterward 7 - 8 percent corporate profit tax will be applied. 		
<p>Investment Projects</p>	<p>1. Commerce and Industries:</p> <ul style="list-style-type: none"> - Industry for Goods Production, Assembly and Spare Part. - Market Exhibition Store for Commodities. - Natural Tourism Water Parks. <p>2. Business Buildings:</p> <ul style="list-style-type: none"> - Apartment Hotel, Housing, Retirement. <p>3. Sport Parks:</p> <ul style="list-style-type: none"> - Golf course. - Indoor Physical Sport. - International Sport Complex. - Sport Competition Centre: Buffalo and Bull Fighting, Horse Rising, Dog Racing, Elephant competition & show. 	<p>4. Airport and Logistic Sector:</p> <ul style="list-style-type: none"> - Air Transportation. - Road Transportation. - Shipping Services. <p>5. Education Sector:</p> <ul style="list-style-type: none"> - Professional, Kindergarten, Primary and Secondary School, College “High School” - Ethnic Museum, Cultural Center. <p>6. Hotel and Entertainment Sector:</p> <ul style="list-style-type: none"> - 3 - 5 Star Hotels. - Entertainment Complex Center. 	

Source: Lao Ministry of Planning and Investment

e) Thatluang Lake Specific Economic Zone

<p>e) Thatluang Lake Specific Economic Zone</p>			
<p>Location</p>	<p>Vientiane</p>		
<p>Establishment</p>	<p>2011</p>	<p>Total Investment</p>	<p>1.6 billion U.S. dollars</p>

Project Area	365 hectares	Franchised Period	99 years
Developer	100 percent private enterprises (Chinese)	Location Advantage	The project is situated in the center of Vientiane Capital.
Investment Projects	<ol style="list-style-type: none"> 1. Embassy Cultural Area (Embassy Office, Department Store, Franchised Store, Superstore, Entertainment Center, 5 Star Hotel, Performance Center). 2. Financial and Business Area. 3. Intensive Residential Area (Service Facilities: Hospital, International School and Kindergarten). 4. Low-rise Residential Area (Many forms of residences: European style, modern style and Laos style). 5. Tourist and Leisure Area (Retail Complex, Leisure and Lifestyle Street, Resort and Hotel). 6. Golf Course. 		

Source: Lao Ministry of Planning and Investment

f) Vientiane-Longthanh Specific Economic Zone

f) Longthanh- Vientiane Specific Economic Zone			
Location	Hadxaifong District, Vientiane	Establishment	2008
Total Investment	1 billion U.S. dollars	Project Area	557.75 hectares
Franchised Period	50 years	Developer	100 percent private enterprises (Vietnam)
Location Advantage	The project is located along the 450 Year Road in Vientiane Capital, 400 m away from the Lao-Thai Friendship Bridge and 16 km away from the center of Vientiane Capital.		
Investment Projects	<ol style="list-style-type: none"> 1. Golf Course 36 Holes. 2. 5-Star Hotel. 3. Luxury Apartment. 4. Resort. 5. Conference Hall. 6. Sport Center. 7. Super Market. 8. Clinic Center. 9. Pre-School. 10. International High School. 11. Deluxe Villas. 12. Car Parking. 		

Source: Lao Ministry of Planning and Investment

g) Dongphosy Specific Economic Zone

g) Dongphosy Specific Economic Zone			
Location	Hadxaifong District of Vientiane	Establishment	2009

Total Investment	50 million U.S. dollars	Project Area	53.947 hectares
Franchised Period	50 years	Developer	100 percent private enterprises (Malaysia)
Location Advantage	The project is located along the 450 Year Road in Vientiane Capital, 400 m from the Lao-Thai Friendship Bridge and 16 km from the center of Vientiane Capital.		
Investment Projects	1. Commercial: Shops and Restaurants, Shopping Mall & DIY Complex, Hypermarket, Integrated Resort, Financial Center, Hotels. 2. Industrial: Bonded warehouse, Bonded Showrooms, Wholesale Market;		3. Residential: Apartments 4. Institutional: College and Skills Center, Customs Checkpoints, Medical Center, Administration Center

Source: Lao Ministry of Planning and Investment

h) Thakhek Specific Economic Zone

h) Thakhek Specific Economic Zone			
Location	Thakhek County, Hammuane Province		
Establishment	2012	Total Investment	80 million U.S. dollars
Project Area	1,035 hectares	Franchised Period	75 years
Developer	100 percent Lao Government		
Location Advantage	Along the 450 year old main road of Vientiane, 400 meters from the Laos-Thai Friendship Bridge, 16 kilometers from the center of Vientiane.		
Land Leasing	0-0.19 U.S. dollars/m ² ./month		
Electricity Charge	0.059-0.065 U.S. dollars/Kwh		
Water Charge	0.05 U.S. dollars/m ³		
Investment Project	1. Trade and Service Zone: Department Store, Restaurant, Banking, Financial Institution, Information Service Center. 2. Hotel Zone: 3 - 5 Star Hotel, Night Club, Entertainment Zone. 3. Distribution Logistics Area: Warehouse, Distribution Service. 4. Transportation Station Area: Bus and Taxi Station. 5. Central Conference Zone: International Conference Hall, IT Service Center. 6. First and Second class Residential Area: High Grade Villa, Resort, Personal House, Apartment for rent. 7. Sport Center. 8. Education and Public Health Area: Kindergarten, Primary School, Secondary School, Vocational School, College, University. Pharmacy, Public Health Center, Clinic, Hospital, Medical Device Distribution Center.		

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| 9. Administration Office and Organization Zone. |
| 10. Forestry Preservation and Green Area: Public Park, Green Park in
Downtown, Sightseeing Sport. |

Source: Lao Ministry of Planning and Investment

4. Conclusion

With interlinked ideals and far-sighted strategic relations, China and Laos have broad space for cooperative development. The common mission and dream have fast combined the future and destiny of the two countries.

In November 2017, Xi Jinping, Chinese President and General Secretary of the Communist Party paid a state visit to Laos and made fruitful achievements, further deepening the cooperation between the two countries. In his signed article “China and Laos: Working Together for a Community of Shared Future with Strategic Significance” published in the Lao media during his visit, President Xi put forward the proposition of creating four communities of shared futures: to strengthen strategic communication and build a community of shared future based on mutual respect and mutual trust; to enhance the complementarity of development strategies and build a community of shared future through mutual assistance; to expand practical cooperation and build a community of shared future for mutual benefit; to increase people-to-people exchange and build a community of shared future featuring mutual learning

In his talk with Bounnhang, President of Laos and General Secretary of the Lao People’s Revolutionary Party, Xi Jinping said that China has always cherished the Sino-Lao traditional friendship and attached great importance to its relation with Laos. It is China’s wish to join hands with Laos to constantly enrich and develop the comprehensive strategic partnership of highly mutual trust, mutual assistance, and mutual benefit, and to make the two countries always remain good neighbors, good friends, good comrades and good partners.

It is mutually agreed to accelerate the alignment of China-proposed Belt and Road Initiative and Laos’ strategy of “Turning the Land-locked Country into a Land-linked Country” to jointly construct the Sino-Lao economic corridor, enhance the China-Laos Railway and other landmark projects, and upgrade the scale and level of mutual economic cooperation. It is also agreed to promote the complementarity of the strengths of the two countries, and to deepen the cooperation in improving production capacity, finance, agriculture, energy, resources, water conservancy and hydropower, communication, infrastructure, health and medical care, and other fields so as to make the pragmatic cooperation better benefit the grass root people of the two countries.

Bounnhang said Xi’s visit would deepen the traditional friendship and promote cooperation in various fields, mapping out the blueprint and indicating the direction for the construction of Sino-Lao community of

shared futures. The visit would definitely raise the comprehensive strategic cooperation partnership to a new height.

To implement the achievements of the top level visit, for developing bilateral trade and economic relations and enhancing the alignment of Laos's strategy with China-proposed Belt and Road Initiative, China Economic Information Service of Xinhua News Agency, Lao News Agency (KPL), Lao Chinese Chamber of Commerce, and ICBC Bank Vientiane Branch with the approval of Xinhua News Agency and the Publicity Department of the Central Committee of Lao People's Revolutionary Party, jointly host a "Belt and Road Forum for Laos-China Cooperation" in the Lao capital Vientiane from February 2-3, with the theme: Cooperation opportunities and outlook in the alignment of the Belt and Road Initiative with Laos' national strategy.

This forum plan to create a platform for the comprehensive bilateral cooperation, promoting the development of the trade and economic relations between the two countries. Focusing on the representative industries and trades of China and Laos, the forum discuss the great opportunities facing the two countries in their all-round cooperation, and come up with constructive and feasible proposals.

The forum organizer invite relevant officials, experts, scholars, executives of commerce chambers, representative financial institutions, legal service agencies of the two countries and Chinese enterprises investing in Laos or interest in investing in Laos as well to attend the forum for exchanging views with each other.

At present, the strategic alignment of China and Laos is accelerating, with their pragmatic cooperation moving on the fast lane. The two countries will definitely open a bright prospective in various fields so long as they join hands in their cooperation with mutual trust.

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