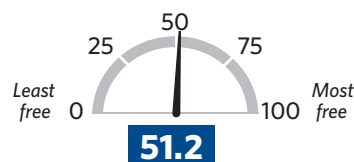


LAOS

Economic Freedom Score



World Rank: **144**

Regional Rank: **31**

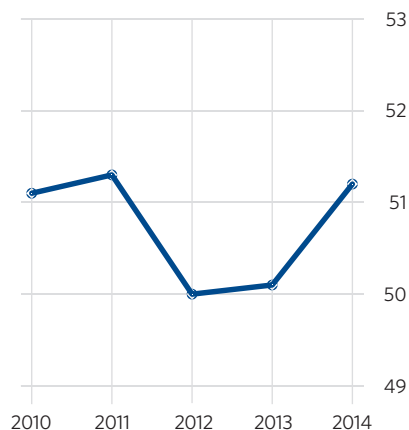
Laos's economic freedom score is 51.2, making its economy the 144th freest in the 2014 *Index*. Its overall score is 1.1 points higher than last year, with improvements in five of the 10 economic freedoms, including investment freedom, fiscal freedom, and monetary freedom, outweighing declines in business freedom and freedom from corruption. Laos is ranked 31st out of 42 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

Over the 19 years during which Laos has been graded in the *Index*, its economic freedom score has advanced by nearly 13 points. Its overall score improvement has been broad, occurring in seven of the 10 economic freedoms. Notable score gains have been recorded in fiscal freedom, business freedom, and investment freedom, scores for which have increased by over 20 points. Laos has been out of the ranks of the economically "repressed" since 2007.

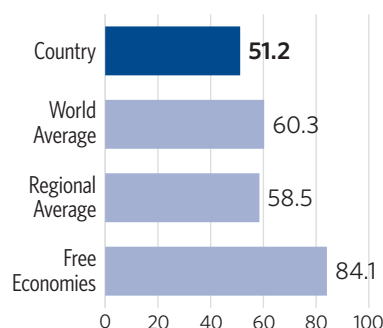
Despite this progress, however, economic freedom in Laos is still held back by poor institutional development and the lack of much-needed economic reform. Protection of property rights and enforcement of the rule of law remain weak, and significant corruption burdens individuals and entrepreneurs.

BACKGROUND: Laos's Communist government, in power since 1975, devastated the economy in the early years of its rule. Slow liberalization, begun in 1986, has had limited success. Corruption is endemic, the law is applied erratically, and the country remains highly dependent on international aid. Basic human rights are heavily restricted. Seventy-five percent of the workforce is employed in subsistence farming. In 2013, following a 15-year negotiation process, Laos became a member of the World Trade Organization.

Freedom Trend



Country Comparisons



Quick Facts

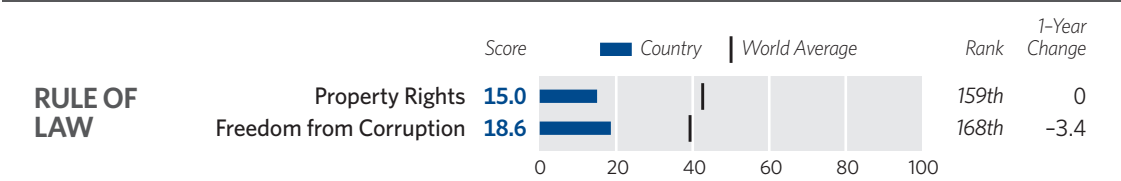
Population: 6.4 million
GDP (PPP): \$19.2 billion
 8.3% growth in 2012
 5-year compound annual growth 8.0%
 \$3,011 per capita
Unemployment: 2.5% (2009)
Inflation (CPI): 4.3%
FDI Inflow: \$294.4 million
Public Debt: 53.1% of GDP

How Do We Measure Economic Freedom?

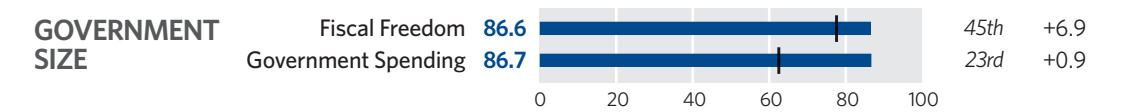
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2012 data unless otherwise noted.
 Data compiled as of September 2013.

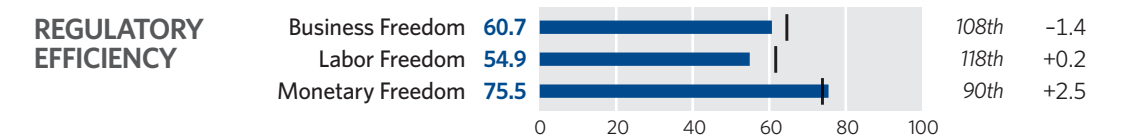
THE TEN ECONOMIC FREEDOMS



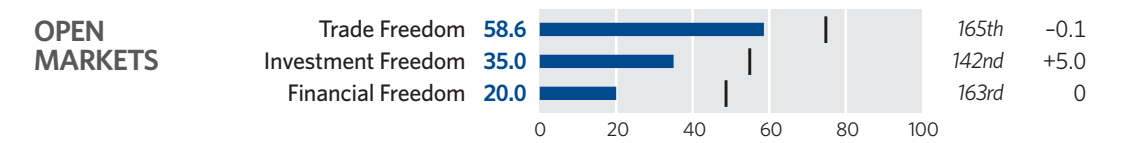
Government corruption is widespread. Anti-graft laws are rarely enforced, and government regulation of virtually every facet of life provides many opportunities for bribery. Senior government and military officials are frequently involved with Chinese and Vietnamese businessmen in commercial logging, mining, and other extractive enterprises. The judicial system is inefficient, and protections for property rights are not enforced effectively.



The top individual income and corporate tax rates have fallen to 24 percent. Other taxes include a vehicle tax and excise taxes. The overall tax burden is 13.7 percent of GDP. Overall government expenditures are 21 percent of the size of the economy. Public debt has dropped slightly to 53 percent of GDP.



The entrepreneurial framework lacks transparency and efficiency. Starting a business takes over three months, and completing licensing requirements takes more than 100 days. Bankruptcy procedures are inefficient. The rigid labor market has resulted in a large amount of informal economic activity. The government influences many prices through subsidies and state-owned enterprises and utilities.



The average tariff rate is 13.2 percent. Laos's still-developing legal system is a barrier to international commerce, and foreign investment may be screened by the government. Financial-sector reforms are ongoing, and the first stock market opened in 2011, but high credit costs and scarce access to financing severely impede private-sector development. Much of the population remains outside of the formal banking sector.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+54.3	Business Freedom	+20.7	Trade Freedom	-22.4
Freedom from Corruption	+8.6	Government Spending	-3.4	Labor Freedom	-6.4	Investment Freedom	+25.0
				Monetary Freedom	+12.8	Financial Freedom	+10.0