

Headline: Laos makes progress in wooing foreign investors

Byline: BEN DAVIES IN VIENTIANE

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Laos makes progress in wooing foreign investors. By Ben Davies in Vientiane.

TINY landlocked Laos, long considered one of the bastions of the communist and socialist world, is fast showing its capitalist colours.

Last year, foreign investors pledged more than US\$85.2 million (\$140.6 million) in investment, mainly in tourism, transport and textiles, but also in manufacturing, banking and agribusiness. And mining companies rushed in to prospect for gold and oil, which it is hoped will propel the country out of its backwater status.

"We are making progress," says Boun Omme Southichak, director at the Foreign Investment Management Committee. "To date the results have been quite satisfactory."

Since the opening of the economy in mid-1988, more than 176 foreign projects have been given the go-ahead, though many of them are still on the drawing board.

One project now under negotiation involves the construction of a luxury hotel near the Lan Xiang, Laos' only major hotel currently. Interested parties in discussion with the government include the Dusit Thani Group, the Central Plaza Group and the Oriental Group, all Thai companies with interests in property and hotels.

In another project, Suzuki and Honda have set up joint-venture factories to produce motorcycle spare parts. Although these operations are small-scale, both companies have plans at some stage to export.

"Many companies are coming here to see the opportunities," says Vinai Inthavong, one of the best-known local entrepreneurs in the Laotian capital, Vientiane. "The goal now is to get down to business."

But the investors now visiting the sleepy capital in a steady stream do not find everything worthy of celebration. There is no real infrastructure. Telephones are almost non-existent. Even the minerals are difficult to get at and expensive to extract.

Government officials admit there are shortcomings but say any economy which is trying to open up is bound to have teething problems. Last year, as evidence of its commitment, the government drafted new investment laws which include clauses to safeguard foreign investors, as well as new legal and accounting regulations.

These days Laos even has a privatisation programme. Last month the government signed a US\$60 million agreement to sell the Lao Brewery to Fisher, a French company. Now the government is holding negotiations to sell the Lao Fuel Company and more than 180 other state businesses.

"The speed with which these people are moving is incredible," says Bert Morsbach, resident adviser to the United Nations Development Programme, which advises the Laotian government.

For all the optimism though, Laos faces more than its fair share of problems. Local officials admit the Government is still wary of foreign investors. What's more, with a tiny population of three million and a per capita income of a mere US\$170 a year compared with US\$1,400 in Thailand, the short-term prospects for many businesses are likely to be minimal.

While a blueprint to develop hydro-electricity, timber and mining resources has been drawn up, it is likely to take considerable time before any projects come to fruition. At the moment, most investors who visit the country leave with happy memories, but few plans.

"It's a question of choice," said an embassy spokesman in Bangkok. "Investors have Cambodia and Vietnam as alternatives. Laos is still seen as the short straw."

Until the Laotian government can persuade foreigners otherwise, it is going to be an uphill struggle, with even capitalism unable to break the sway.