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Chanthida Ratanavong

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Chanthida Ratanavong

Thammasat Institute of Area Studies, Thammasat University

99 Moo 18 Khlongnueng Sub District, Khlong Luang District,
Pathum Thani, 12121, Thailand

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For more information, please contact Academic Support Unit, Thammasat Institute of Area Studies (TIARA), Patumthani, Thailand

Telephone: +02 696 6605

Fax: + 66 2 564-2849

Email: academic.tiara@gmail.com

Language Editors: Mr Mohammad Zaidul Anwar Bin Haji Mohamad Kasim
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Ms. Chanthida Ratanavong, Email: Poupepp94@gmail.com
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Abstract

The surge of Foreign Direct Investment (FDI) is considered to be significant in supporting economic development in Laos, of which, most of the investments are concentrated in Vientiane. Hence, FDI becomes a significant factor to stimulate economic growth in Laos. This paper aims to identify the pattern in distribution of investment in Lao PDR especially in regional development. It also aims to examine their implementation in attracting foreign investments. The paper analyzed both primary and secondary data to see the patterns in some regions. This paper also used different data to predict the major factors that influence foreign investment from 1988 to 2016. The study found that the regional distribution of investment was affected mainly by external factors, which played a crucial role in supporting FDI inflows depending on certain countries in different time period. Nevertheless, upon examination, the research also found that provincial policy, especially concerning investment, had failed to attract sufficient inflow of FDI to improve the socio-economic conditions of the country. This was evident from the type of investments approved that had consequence on economic growth in Laos.

Keywords: pattern of investment, regional distribution, FDI inflow, economic growth

1. Introduction

Since Laos introduced the New Economic Mechanism (NEM) in 1986, Laos has pursued its Open Door policy for adopting foreign trade and investment. In order to achieve the national goal, the government set a strategy for regional development by focusing on infrastructure improvement, human resources, productivities and the promotion on Foreign Direct Investment (FDI) (Bourdet, 2000). In the Lao Development construction is purposely to release the country from the least developed countries (LDC) by 2020 (Kyophilavong & Toyoda, 2008b). Therefore, in the implement of New Economic Mechanism (NEM), the Lao government counted on Foreign Investment as an essential source for social economic development.

Lao People's Democratic Republic (Lao PDR) as a land-locked country mostly covered by mountainous region which is one of group of least developed countries; the government has initiated the National Growth and Poverty Eradication Strategy (NGPES) (Kyophilavong & Toyoda, 2008a) particularly in rural region to stimulate the growth in regional development by appropriating the incentives investment policies in order to inspire the foreign direct investment and created a necessary conditions to attract Foreign Direct Investment (FDI) to the country. However, as rural development is the main strategy of the government, they have set a strategy for agriculture, natural resources, and rural development strategy. By far, the government purposes to promote more foreign investment in agricultural, hydropower and mining sector to raise growth, lessen poverty and improve the agriculture sector in a range of Millennium Development Goals (MDGs) (Pravongviengkham, 2000).

After Laos promulgated the first law on foreign investment promotion and management in 1988, the FDI inflows to Laos has increased dramatically by the major foreign investors from China, Vietnam and Thailand and FDI inflows mostly to agriculture, industry and mining sectors. However, as the context of Lao government emphasized on regional development but in the practice, the trend of FDI flows are mostly benefiting to urban areas which it did occur in local communities. Whether the law on promotion and management of FDI or national policies will stimulate the FDI to Laos and where FDI is distributed regionally are interesting. This paper aims to identify the performance of government policy and to analyze the pattern of regional distribution of foreign

investment in Lao PDR by focusing on the provincial pattern of foreign investment distribution and the sources of investors.

2. “Open Door” Policy

Since Lao PDR has introduced the New Economic Mechanism (NEM) in 1986, Laos has attempted to open its door for foreign trade and investments and national policies has identified the quality investment to drive sustainable development and a diversified economy which included the National Socio-Economic Development Plan (NSED) 2011-2015 that focuses on the quality of economic growth emphasizing on sustainable land and resource use. Furthermore, to achieve the target of NSED, the government has to reduce the restrictions on import and export by enacting some laws as they issued the first investment law of 1988 to open many sectors for foreign to join in, which included agriculture, industry, and forestry. Later, the investment law has been revised significantly such as the law on promotion and management of foreign investment which endorsed in 1994, then amended in 2004, 2009 and 2016 particularly, the latest amendment composed in the combination of laws on domestic and foreign investment (Chansomphou & Ichihashi, 2011).

2.1 Evolution of Foreign Direct Investment law in Lao PDR

The government has proclaimed the law on foreign investment promotion in 1988, as the beginning of implementing the first investment law, the provision allowed 100% for foreign ownership of investment. And the term of foreign investment enterprises relied on natural resources, size, and the demand for business project. But basically, it could not extend more than 15 years for 100% foreign ownership and 20% for the joint venture. Later, the law was revised in 1994, 2004, 2009 and 2016 (amended).

The first revision of the law on foreign investment in 1994 had provided foreign investors to invest in Lao PDR in two forms proposed as a joint venture with domestic investors and a wholly foreign-owned enterprise. But foreign investors have to pay 20% of the annual profit tax, whereas the investment term was retained its expiration relatively at 15 to 20 years for all sectors. Moreover,

they shall pay 1% of import value on materials, equipment, and others spare part of production used (Phommahaxay, 2013).

The second revision in 2004, there are three forms for a foreign investor may invest in Lao PDR such as business cooperation by contract, joint ventures between domestic and foreign investors, and 100% foreign-owned enterprises. However, the term of investment for the foreign investment enterprise is considered in nature, size, and the condition of business activities. However, the business project shall not exceed 50 year and maximum 70 years and may extend with the authorization of the government. For the profit tax, 20% for all sectors which depends on several zones based on conditions of social-economic and geographical locations.

The new feature of the revision of investment promotion law in 2009 are reduced procedures to open the new business; no term of investment; allowed foreign investors to have the right and property on land; the top priority of investment incentives are education and healthcare sectors; plus the good facilities from official services. Moreover, foreign and domestic investors may invest in all sectors and zones of investment with a few exceptions by following three type of investment as a general business, concession business, and development activities of special economic zones. However, the term of concession business refers to type, size, value, and condition. But it shall not exceed 90 years and can be extended by the approval of the government or provincial authorities¹.

The latest development of the law on foreign investment in 2016, it is enacted under the Department of Domestic and foreign Investment by serving the foreign and domestic investors the packages of the land lease, as they may transfer leasehold interest and have the right to build. So the key point of the changing in the new laws is the provision permitting foreigners to own land. Moreover, the law determines to protect the investors as setting the term of investment in the law to protect the assets and business activities of foreign investors (MPI, 2016).

¹ Law on Investment Promotion, 2009 http://www.investlaos.gov.la/images/sampleddata/pdf_sample/IPLaw2009_Lao-English.pdf

Table1. Investment policy evolution

Year	Features	Target Industries	Target Regional
1988	Allowed 100% foreign ownership (15-20 years); the term of investment activities depend on size, nature, and conditions for business activities.	Not specified	National wide
1994	The law described the procedure for foreign investment and designated the outline areas that foreign investment is encouraged and those areas where foreign investment is not allowed	All sectors	National wide
2004	One key of this revised law was embarking on structural on decentralization of foreign investment management power by allowing local authorities to attract investment to their regions.	All sectors	National wide
2009	Combination of foreign and domestic law on investment promotion, shorten procedures to open new business, no term of investment but shall not exceed 90 years; and promote the development of Special Economic Zone (SEZ) and industrial park.	Agricultural Education Health care Tourism Industry Electricity Generation Mining	Local development: Special economic zone Export processing zone Industrial park Tourism zone Duty free zone ICT zone
2016	Allowing both domestic and foreign investors to own land; protect the rights of investors including the assets and investment of investors; moreover they classify the investment in 5 forms such as:	Agricultural Industrial handicraft Service	Regional development: apportion the economic development of the North, Central and the South

Source: Ministry of Planning and Investment (MPI), 2016

2.2 Implementation of Foreign Direct Investment policy

The Lao government decentralized the investment management authority which classified into two levels: central and local levels. At the central level is consisted of the Ministry of Planning and Investment (MPI), the Ministry of industry and commerce, the national Steering Committee for Special Economic Zones, and others central ministries relevant under the regulation of the government; these relevant ministries are responsible on the macro management, stimulate and supervise the implementation of the investment promotions exertion at the local level, special economic zones (SEZ) and specific economic zones. At the local level, the authority is performed by the Planning and Investment Division, Industry and Commerce Division and others local agencies that relevant², which are responsible on manage and assess the investment areas that are under their responsibilities, plus the projects or activities approved by the central authority situated in their area that relevant in the provinces (WTO, 2011). In short, the government authorizes the provincial the rights and capabilities to device their own investment promotion to suit their development need without interfering from the national government (Decree No.64/PM, 2003).

Nevertheless, the government determined the incentive of investment promotion by referring to investment activities authorities and others rights of the government, which includes the right on land concession, minerals, airline, electric power, and financial institutions. The approvals of investment activities are conducted by the government or provincial authorities. Regarding to article 8 of the law on investment promotion in 2016, the incentive investment offers in three sectors such as incentive by business sector, incentive by zone and incentive on tax, duty, land used. Plus, in the investment promotion law is focusing in 4 promoted sectors such as agriculture, industry, handicraft and service.

² Article 59-60. Investment decentralization of Decree on The Implementation of the Investment Promotion law Number 301/PM
https://www.wto.org/english/thewto_e/acc_e/lao_e/WTACCLAO24A1_LEG_1.pdf

Table2. Incentive of investment promotion of Lao PDR

	Profit tax exemption		
	level 1	level 2	level 3
Zone 1	10 years	6 years	4 years
Zone 2	8 years	4 years	2 years
Zone 3	4 years	2 years	1 year
Import duty fee	Raw material, equipment, spare parts and vehicle are directly used for production		
procedure (working days)	10-45		

Source: law on investment promotion in Lao PDR, 2016

According to the table, the implementation of Foreign Direct Investment policy has specified the zones for the incentive of investment promotion of Laos which classify in three zones of promotion with three level of profit tax exemption (appendix 1)³ such as zone 1 is the zones of least socio-economic infrastructure development in supporting investment that range the profit tax exemption from 4 to 10 years. Then the second zone is having as the moderate socio-economic infrastructure zone in facilitating investment, so the profit tax exemption is ranged from 2 to 8 years. Lastly, the third Zone is the areas of good socio-economic infrastructure development with ranging from the profit tax exemption from 1 to 4 years⁴.

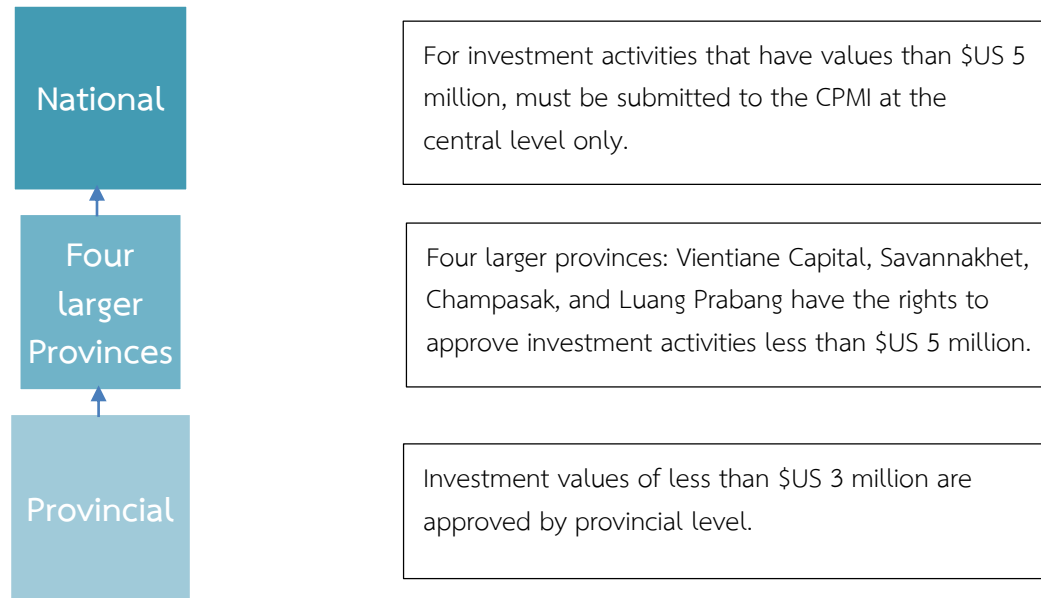
Furthermore, the government has determined the authority at the provincial level which all provinces has capability to conduct the investment policy in order to attract more foreign investment by approving FDI equal to or less than \$US3 million, especially in the four larger provinces such as Vientiane Capital, Luang Prabang, Savannakhet and Champasak can approve less than \$US5 million⁵.

³ The list of Investment Promoted Zones is attached as Annex 2 of Decree
http://www.investlaos.gov.la/images/sampleddata/pdf_sample/Annex2_Decree_Eng.pdf

⁴ The classification of each zone is attached as Annex 1 of Prime Minister's Decree on Domestic Investment Number 300/PM and Decree on Investment Number 301/PM.

⁵ US Dept. of State, 2015 Investment Climate Statement – Laos <https://www.state.gov/e/eb/rls/othr/ics/2015/241626.htm>

Figure1. Investment Approval Procedures.



Source: Decree Number 300/PM, Decree Number 301/PM, 2005.

In addition, as we can see that recently Laos is enjoying with the foreign investment inflows but it did not mean that Laos has success in attracting the foreign investment. Speaking of investment policies, law, and regulations of the Lao government, it can say that they have not done enough about doing things to inspire the foreign investment, particularly in the regional development. Meanwhile, the tax incentive of investment promotion that offered to investors was as a tool to attract the foreign investment. In fact, the incentive of investment is last thing that investors will consider to because mostly investors will look into the location where has natural resources offering and the location where is near a good infrastructure environmental in order to transfer production easily.

Besides, as the implementation of foreign investment policy emphasizes decentralization authorities in both central government and local government, which may lead to the bottom of regional distribution of foreign investment, due to the purpose of the government expects to accomplish the promoted sector in each region by attempting to convince the foreign investors to invest at the place that they plan to improve. On the other hand, the result of this performance

did an opposite route of the government objectives, the reason was that foreign investors decided to invest in a region that can offer them a good profit and response for a condition of their business activities for instance, the large land for agriculture plants, mineral resource for mining, and water resource for hydropower. Thus, it can be implied that its implementation did a cross-purpose with the government objectives because in term of control the foreign investment distribution, the Lao government has failed to get it consistency.

3. Provincial Pattern of Foreign Investment Distribution

To see the wave of the pattern of foreign investment distribution, the research divided the data from 1989 to 2016 into four periods as follow: Period 1: the FDI inflow from 1989-1994, period 2: 1995-2004, period 3: 2005-2009, period 4: 2009-2016. The main purpose of the research is to examine the pattern of foreign investment distribution during the country shifted a centrally planned economy to a market economy. The data on foreign direct investment (FDI) inflows into Laos had been gotten from the Department of Domestic and Foreign Investment of Lao PDR (DDFIL), Ministry of Planning and Investment (MPI). This focuses on 17 provinces by recording in U.S dollars.

Table1. Foreign Direct Investment (FDI) inflows to Laos.

		1988-1994	1995-2004	2005-2009	2010-2016	Total (Million US \$)
Vientiane Capital	Million \$US	654,552,111	2,715,342,920	9,567,821,210	10,307,288,859	23,245,005,100
	FDI capital Inflows (%)	2.82%	11.68%	41.16%	44.34%	
Champassack	Million \$US	299,746,938	42,362,147	2,400,957,021	2,047,024,543	4,790,090,649
	FDI capital Inflows (%)	6.26%	0.88%	50.12%	42.73%	
Bolikhamsay	Million \$US	18,100,000	24,336,091	467,456,618	245,841,234	755,733,943
	FDI capital Inflows (%)	2.40%	3.22%	61.85%	32.53%	
Khammuan	Million \$US	2,530,000	1,132,230,940	1,028,899,059	1,491,663,507	3,655,323,506
	FDI capital Inflows (%)	0.07%	30.97%	28.15%	40.81%	
Luang Prabang	Million \$US	11,864,285	22,762,624	323,526,162	613,234,748	971,387,819
	FDI capital Inflows (%)	1.22%	2.34%	33.31%	63.13%	
Savannakhet	Million \$US	2,507,268	17,305,363	557,078,792	998,570,312	1,575,461,735
	FDI capital Inflows (%)	0.16%	1.10%	35.36%	63.38%	
Huaphan	Million \$US	300,000	9,561,896	112,980,210	1,302,709,624	1,425,551,730
	FDI capital Inflows (%)	0.02%	0.67%	7.93%	91.38%	
Oudomxay	Million \$US	835,714	10,278,001	102,505,528	120,075,635	233,694,878
	FDI capital Inflows (%)	0.36%	4.40%	43.86%	51.38%	
Xiengkhuang	Million \$US	50,000	159,673,513	81,690,716	963,817,524	1,205,231,753
	FDI capital Inflows (%)	0.00%	13.25%	6.78%	79.97%	
vientiane	Million \$US	665,000	20,893,610	434,550,392	844,948,256	1,301,057,258
	FDI capital Inflows (%)	0.05%	1.61%	33.40%	64.94%	
Luangnamtha	Million \$US	250,000	6,727,683	100,241,596	747,300,016	854,519,295
	FDI capital Inflows (%)	0.03%	0.79%	11.73%	87.45%	
Attapeu	Million \$US		7,883,428	95,817,373	1,515,255,724	1,618,956,525
	FDI capital Inflows (%)		0.49%	5.92%	93.59%	
Salavan	Million \$US		30,065,396	67,782,312	39,687,588	137,535,296
	FDI capital Inflows (%)		21.86%	49.28%	28.86%	
Xayyabouly	Million \$US		681,000	163,072,004	75,826,038	239,579,042
	FDI capital Inflows (%)		0.28%	68.07%	31.65%	
Phongsaly	Million \$US		1,228,000	26,511,993	86,291,339	114,031,332
	FDI capital Inflows (%)		1.08%	23.25%	75.67%	
Xekong	Million \$US		10,720,655	30,029,668	72,853,428	113,603,751
	FDI capital Inflows (%)		9.44%	26.43%	64.13%	
Bokeo	Million \$US		308,319	170,392,964	49,199,283	219,900,566
	FDI capital Inflows (%)		0.14%	77.49%	22.37%	

Sources: Author's calculation based on MPI, (2016)

3.1 period of 1988-1994

The Lao government adopted the first law on foreign direct investment in 1988 by permitting 100% foreign ownership, the trends of FDI inflows to Laos started emerging from 1991 to 1994. However, the FDI inflows mostly distributed in urban areas especially in Vientiane Capital and others nearby provinces. As this period was a beginning of shifting the country to an economic market system, which is why the FDI performance was incomprehensive all over the regions (see Table1). Moreover, the implementation of the first investment law was still lack of proficiency. As a result, it can be said that the implementation of investment law was not accomplished in attracting the foreign direct investment in regional development.

3.2 Period of 1995-2004

After the first amendment investment law in 1994, in the following year the data indicate that distribution of investment has fluctuated throughout provincial, the FDI inflows has been gaining rapidly due to FDI policy has been revised in 2004 by providing foreign investors a longer investment term for 50-75 years, when comparing to before that was between 15-20 years. This means the Lao government efforts to attract FDI over the past decade. Then the flows of FDI expanded significantly to the regions which have the factor endowment that could response to the investment needs. However, in 1997 the capital of FDI has suddenly declined this is mainly because the Asian Financial crisis causing FDI flows out the country. This can be said that the investment distribution in Laos has been driven by the exploitation of natural resources but still has corruption at all level behind its implementation.

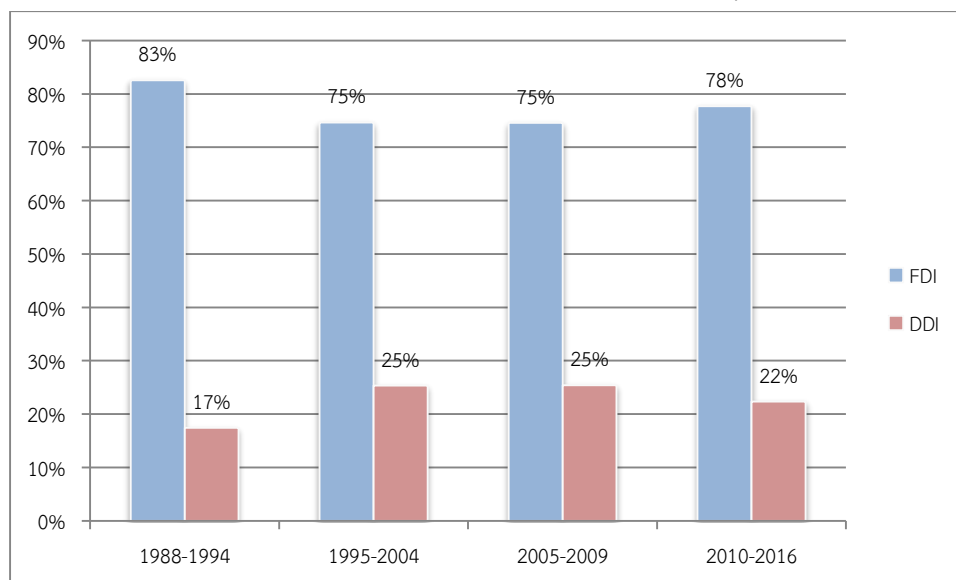
3.3 period of 2005-2009

The capital of FDI inflows was continuous rising in this period due to the economic situation in the region improved after the Asian financial crisis in 1997 and Laos recreated the FDI policy by extended a longer land concession up to 99 years for both mining and hydro projects. In short, the pattern of investment distribution in this period indicated that the implementation of investment policy was effective on attracting the FDI from neighboring countries but the composition of FDI significant showed in natural resources of the country such as mining and hydro projects (Nolintha & Lau, 2015)

3.4 period of 2010-2016

Over the past decades, Lao PDR officially welcome both domestic and foreign investment by adopting the law on investment promotion in 2016 and attempt to use a “one-stop service” model for general business activities in local level in order to build more facilitated for the investment activities. In term of investment policy seems very improved and the flows of FDI are well developed in all regions; however, in term of practicing the investment policy did not show any significant effect on attracting FDI to the country but the external factor and foreign investor’s need are more significant effect on regional distribution of investment in Lao PDR.

Figure2. Foreign and Domestic Direct Investments values in percentage.



Sources: Author’s calculation based on MPI, (2016)

According to table 1 indicates the total value of the foreign investment by dividing into 4 periods of adapting the investment laws; it can see what has been changed about the distribution of foreign investment in almost all provinces in Laos and totally had the differences the foreign direct investment inflows. Actually, the Lao government began to encourage FDI outside Vientiane Capital since the mid-1990s. This was a process of government’s regional development strategy. The data available here is varying distributed across the regions. The minority of foreign business is situated in the central region of Laos and in the municipal area of Laos, including the

manufacturing and services industries sectors (Gunawardana & Sisombat, 2009b). Furthermore, it can be seen that FDI flows gradually grown particularly in the 1990s, but DDI inflows are still remain low because the growth of technology development in Laos is relatively low and the country still lack the capital to create the business activities. (See Figure 2). However, it can notice a remarkable of the FDI world has increased In addition, FDI flows have positives affected to the country in term of its influence to the socio-economic development, technological advantage, foreign exchange rate earnings, increased gross domestic product and employment creation as result of the government provided attractive tax and non-tax incentives in recognizing the need to promote inward FDI in rural areas.

4. Discussion of Investment Pattern

4.1 Decentralization of authority to region, Decree No. 64/PM, 2003

This decree defined the role, responsibilities, and right of the Committee for investment management and the cooperation between foreign and domestic investment at the central and local levels. The aim of the government is to decentralize the foreign investment management power by allowing local authorities to attract investment to their regions (Gunawardana & Sisombat, 2009a).

This is one key to investment law that they concentrate significantly in regional development by drawing the responsibilities and the right to the local. This sounds great to decentralize their power to the local, but the missing point that the government has not considered about the corruption behind this legal authorities because in Laos has these kinds of situation that haven't completely solve especially at the rural regions.

4.2 The 7th five-year National Socio-Economic Development Plan for Regional and Local Development 2011-2015

In order to build favorable conditions for each different regions and help those local regions to become more competitive, the Lao government has created economic zones by starting to develop the core cities in different 3 regions to increased socio-economic development in specific

zones and regions, for instance in the North are Luang Prabang City and Xai district (Oudomxay Province), in the Centre are Vientiane Capital and Kaysone Phomvihanh District (Savannakhet Province), in the South is Pakse District (Champasak Province). These cities will spread the development of industrialization and modernization infrastructural through another region by attempting to transform the potential of production into commercial production and to ensure this approach will support investment and trade with others countries in the region⁶.

Northern Region

“Develop one economic center in the northern part, in Luang Prabang; three industrial zones in three provinces: Vientiane, Xiengkhuang and Oudomxay Provinces; three economic corridors: Boten-Vientiane, Houayxai-Taichang and Muang Ngeun-Nonghat; four border economic zones: Boten, Huayxay-Tonphueng, Nonghat and Kanthao.”

Central Region

“The aim is to develop an economic center Vientiane Capital, industrial zone in Savannakhet, tourist service center in Khammuane, and four economic corridors in East-west and North-South length. This also extends to develop special economic zone (SEZ) in Savanakhet-Seno area and at the Lao-Vietnam border.”

Southern Region

“An economic center will be established in Champasack; industrial zones will be set up in Attapeu, Sekong and Saravanh; and develop 4 economic corridors which will be initiated at Champasack-Veunkham (Cambodia border), Vangtao-Champasack-Saravanh (Vietnam border). The aim will also to develop border economic zones: at Vangtao in Champasack Province, Phoukeua and Phouvong in Attapeu, Darktaork in Sekong, and Lalai in Saravanh.”

(Organization, 2011)

In conclusion, as discussed the pattern of investment above, those are a crucial method to lead the country in the competitive level. As a result, there had some region in some sectors of economic development that can achieve and was aligned with the National’s plan especially in the central region such as Vientiane Capital and Savannakhet. Apart from this, the others local areas still had the shortage of foreign capital flows because in the implement terms, both center

⁶ The 7th five-year National Socio-Economic Development Plan <http://www.wpro.who.int/countries/lao/LAO20112015.pdf>

and local haven't done enough to encourage the FDI to the regional development particularly in the northern part where is the poorest areas in Laos. Thus, it becomes clear that the pattern of investment distribution in Lao PDR is not aligned with the country's purpose, as their previous plan; the 7th five-year National Socio-Economic Development plan determined the target for 3 regions of Laos in order to support the FDI. Nevertheless, its implementation has shown in opposite way of its National plan, so the thing which can say is that the Lao PDR is deemed to be fastened to develop the country without preparation herself especially in practice term which not response with its government policy and the procedure of investment activities approval are still complicated.

4.3 Investment Promotion Law, 2016 (Amended)

The new feature of this law was followed by the law on Investment Promotion in 2009 which combined the domestic investment law and Foreign Direct Investment law into one to make a "level playing field" for both domestic and foreign investors. Moreover, the law determined to shorten the procedures to open new businesses; the term of investment shall not exceed maximum 75 years, foreign investors can access to local financial and can own a piece of land for running their firms.

Indeed, it's good that the government amended the law, the context deems more clear and lenient for both foreign and domestic investment which is compatible with the recent economic situation in Lao PDR. Moreover, the property of the law can attract the foreign investment to expand foreign capital to the regional development. In addition, it can be said that the amendment law on foreign investment in 2016 has set into the line of National Treatment⁷ which is appropriate to World Trade Organization (WTO) principles of the Trading system.

⁷ National Treatment: "Treating foreigners and locals equally imported and locally-produced goods should be treated equally — at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. This principle of "national treatment" (giving others the same treatment as one's own nationals) is also found in all the three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS), although once again the principle is handled slightly differently in each of these." https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

Besides the situation described above, there are some other factors which are involved in the contribution of investment in Laos. Those were from the external factors such as the foreign investor's conditions, the infrastructure of economic cooperation with neighboring countries and the influence of the global economic boom. The reason where and why distribute of investment was mostly in some region with good natural resources supplied because recently investment activities are more related to natural resources such as power energy, mining, land concession activities, for example, the mining project in Khammuan, Xayabouly Hydropower project.

To examine the purpose of foreign investors, this research was looking after the theory of Dunning (2000) which explained the decision of a firm to invest in the country which has three advantages such as the ownerships (O), the location (L), and the Internalization. Also, the studies of Mottaleb (2007) and Ranjan and Agrawal (2011) found that a high focusing on specific investment, less infrastructure development, and unattractive investment law bring a negative effect on economic growth.

Hence, there is no doubt why most of the investors want to invest in these sectors, significantly during the period of 2009-2016 FDI flows show a small fluctuation above \$US 2 billion. It can see that FDI distribution increased in mining and hydropower sectors. Which mean most of the investors decided to invest in the region where have good conditions supplied such as in Northern part (Luang Prabang and Oudomxay Provinces)

4.4 concluding remarks

As can be seen from the analysis of the Laos policy performance above, the result of decentralizes the authorities between central government and local government has become as a behind reason of these matter due to perhaps the inequality of foreign investment distribution in some areas increased the corruption at the regional level. Thus, they could not say that whether it would become the conflict between the central and regional or not because there is no evidence to prove. However, Lao's decentralization system seems very unique, and it

5. Conclusion

This research attempted to analyze the pattern of distribution of investment significantly in regional development by using a primary data from the Ministry of Planning and Investment (MPI). The study found that the pattern of distribution of investment in Laos has affected by the main neighboring investors from China, Vietnam, and Thailand. However, some parts of investment policy still do not meet the demands of investors, particularly the working system which seems to be complicated by responsibilities between communities.

As can be seen the performance of FDI policies, the primary data from the Ministry of Planning and Investment (MPI), which has shown the capital inflow of Foreign Direct Investment in each province. According to the data sources in Table.1, it can say that all province can attract the foreign investment depends on their different advantages. Whereas, those practices did not come from the central or provincial policies, surprisingly, the investment in Laos is mostly affected from the external factors such as infrastructural, foreign investor's needs, and their own advantage in each province. Consequently, this case brings the disparities after their investment activities which created a loophole and inefficient government institution that concern about the national interest and socio-economic development.

In summary, the study demonstrates unbalancing of policy implementation of these the distribution of investment which has reflected the real situation of the Lao economic. There still have many factors that need to be improved. Therefore, the government has to adjust and change some points of its policy significantly the legal system, the law on promoting and encouraging investment and business activities specifically in regional development should be the first priority to improve. Besides these factors, the human resources is also important factor that should be improved because to response the needs of investors, the country should preparing the skilled workers to keep up with the FDI, thus these are the main aspects to interest investors into the country and to enhance the role of government's implementation to be more efficient.

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Appendix1. The List of Investment Promoted Zones

Provinces/Capital	Investment Promotion Zones		
	Zone 1	Zone 2	Zone 3
Vientiane Capital	Sangthong District	Pakngum District	Chanthaboury District Sikhottabong District Xaysettha District Sisathanak District Hadsaifong District Nasaitong District Xaythany District
Phongsaly Province	Nhod Ou District Samphanh District Khua District Mai District	Bounneua District Bountai District	Phongsaly District
Luangnamtha Province	Long District Nalae District Viengphoukha District	Sing District	Namtha District
Bokeo Province	Mueang Mueng District Pha Oudom District Paktha District	Tonphueang District	Huoixai District
Oudomxay Province	La District Namor District Nga District Beng District Pakbeng District	Houn District	Xay District

Provinces/Capital	Investment Promotion Zones		
	Zone 1	Zone 2	Zone 3
Houaphanh Province	Viengthong District Xumtay District Viengxay District Xiengkhor District Add District Sopbao District	Houamueang District	Xamneua District
Luangprabang Province	Phonxay District Viengkham District Phoukhoun District Pakxeng District Phonthong District	Ngoi District Nambak District Chomphet District Xiengngeun District Nan District	Luangprabang District
Sayaboury Province	Xayxathan District Xienghon District Boten District	Paklai District Kenthao District Thongmixai District Phieng District Nguen District Hongsa District Khop District	Sayaboury District
Xiengkhouang Province	Moak District Phaxay District Thathom District	Nonghaed District Kham District	Paek District
Vientiane Province	Houm District Xaysomboun District Muen District	Hinhub District Kasy District Sanakham District	Vangvieng District Keo Oudom District Viengkham District

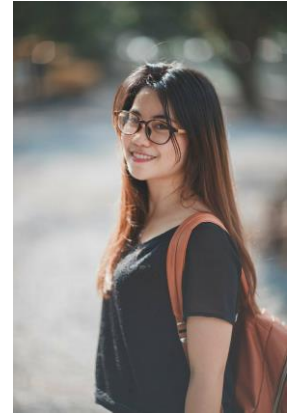
Provinces/Capital	Investment Promotion Zones		
	Zone 1	Zone 2	Zone 3
	Maed District	Feuang District	Thoulakhom District Phonhong District
Bolikhamxay Province	Xaychamphon District Viengthong District Borikhun District	Pakkading District Thaphabad District Khamkherd District	Paksun District
Khammuan Province	Boulapha District Nakai District Xaybouathong District	Nongbok District Hinboun District Xaybangfai District Mahaxay District Yommalath District	Thakhek District
Savannakhet Province	Nong District Sepon District Phin District Vilaboury District Thapangthong District Thaphalanxay District Sonboury District Adsaphon District	Outhomphon District Songkhon District Champhonh District Adsaphangthong District Xaybouly District Xayphouthon District	Kaisonphomvihanh District
Salavanh Province	Samouy District Ta Ouy District Tumlan District	Khonphapheng District District Khongsedon District Vapee District Laongam District	Salavane District

Provinces/Capital	Investment Promotion Zones		
	Zone 1	Zone 2	Zone 3
Sekong Province	Kalum District Dakchung District	Thateng District	Lamam District
Champasak Province	Soukhomma District Bachiang District Mounlaphamok District Phatoumphone District	Paksong District Phonthong District Khong District Champasack District Sanasomboun District	Pakse District
Attapeu Province	Sanamsay District Phouvong District Sanxay District	Xaysetha District	Samakhisay District

Author's Profile

Name Ms. Chanthida Ratanavong

Date of Birth November 21st, 1994



Educational Attainment

- August 2016-2017: Master of Arts, Master of Arts in Asia Pacific Studies, College of Interdisciplinary Studies, Thammasat University, Bangkok, Thailand.
- 2013-2016: Bachelor of International Relations, Faculty of Law and Political Science, National University of Laos, Vientiane, Laos.

Scholarship

- Recipient of Thammasat University Scholarship 2016

Work Experiences

- Operator (July-August, 2016) at Fox Press Company, Vientiane, Lao PDR.
- Apprentice (February – April, 2016) at Ministry of Foreign Affairs, Vientiane, Lao PDR.