THE MINERAL INDUSTRY OF

LAOS

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Laos is a landlocked country of rugged mountains and one of the poorest countries in the world. Per-capita income stood at a little more than $300. Lao wages were higher than those in China and Vietnam, but lower than those in Thailand. The productivity of local workers was only 60% to 65% of that in southern China and Vietnam. The country continued its economic liberalization program. The currency crisis in Thailand, however, hit Laos with a blow in mid-1997. When the Thai baht plummeted in value, the Lao kip went down with it from 960 to 1,350 to the U.S. dollar in July.

Laos's economy is dependent on that of neighboring Thailand. Thai goods accounted for an estimated 45% of Laos's total imports, 37% of total exports, and 42% of total committed foreign investment. The foreign trade deficit reached 40.7% of the value of its imports in 1997. Laos's most-favored-nation trade status from the United States will reduce tariffs on Laotian products, thus providing a major boost to the export industry. The country has become heavily dependent on foreign aid to develop its own natural resources. Foreign assistance accounted for 15% of Laos's meager gross domestic product (GDP). At such a level, the country's self-sufficiency and sustained development would be difficult to achieve.

Because the country actively encouraged foreign investment, its foreign investment policies were the most "investor-friendly" in the region (U.S. Embassy, Vientiane, Laos, 1997). The Committee for Investment and Foreign Economic Cooperation is responsible for facilitating foreign investment. France, Taiwan, Thailand, and the United States were the most active investors. Infrastructure projects provided attractive opportunities for U.S. companies in Laos.

Padaeng Industry of Thailand applied for an investment license to mine a small zinc silicate deposit located north of Vientiane, Laos (Metal Bulletin, 1997). Although more exploration work was required, the company would begin mine development at the end of 1997 and planned to use more zinc silicate in the blend to lower production costs for its expanded zinc smelting facilities in Tak Province, Thailand.

Laos and China signed an agreement to build a cement plant at Vang Vieng in Laos (Industrial Minerals, 1998). The Laotians would carry out the project under the supervision of the Chinese, who would transfer technology, management skills, and production methods to the cement plant for the duration of the 3-year contract.

Laos was trying to develop its hydroelectric power potential, which could be as high as 18,000 megawatts (MW). The Government was pushing for construction of the 900-MW hydropower project on the Nam Theun River in south-central Laos. The Nam Theun-2 project would cost an estimated $1.2 billion, or about 70% of the country's GDP. Laos hoped to sell the electricity to neighboring Thailand for much-needed foreign exchange. The project was expected to increase GDP by 15%. A consortium led by Transfield of Australia and five European and Thai companies was offered 75% of the project on a build-operate-transfer basis. The Government would hold 25% interest in the project. The World Bank, under increasing pressure from environmentalists, demanded detailed studies of the project's impact before it guaranteed commercial loans raised by the consortium. Construction of the project might start in May 1998 if the World Bank gives the go-ahead.

The Houay Ho hydropower project in southern Laos is a joint venture among Daewoo Corp. (60%) of the Republic of Korea, Loxley (20%) of Thailand, and Electricite du Laos (20%). The project has an installed capacity of 150 MW and was expected to earn Laos from $26 million to $32 million per year in electricity exports to Thailand. The Electricity Generating Authority of Thailand agreed to purchase 126 MW from Houay Ho starting in September 1999. The work on the 210-MW Nam Theun-Hinboun hydropower project was 80% complete; the power also was to be exported to Thailand. The joint-venture partners are Electricite du Laos, MDX of Thailand, and Nordic Hydropower of Sweden and Norway.

References Cited

Industrial Minerals, 1998, Laos/China cement co-op: Industrial Minerals, no. 366, March, p. 73.

Metal Bulletin, 1997, Padaeng Industry applies for mining license in Laos: Metal Bulletin, no. 8177, May 12, p. 5.

U.S. Embassy, Vientiane, Laos, 1997, Foreign economic trends report—Laos: U.S. State Department Airgram 2650, February 21, 11 p.

Major Sources of Information

Lao Minerals Exploration Co.
Vientiane, Laos

Department of Geology and Mines, Ministry of Industry
Vientiane, Laos

TABLE 1
LAOS: ESTIMATED PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/		1993	1994	1995	1996	1997
Coal, all grades		100,000 r/	100,000 r/	110,000 r/	74,680 r/ 3/	97,350 3/
Cement (from imported clinker)		7,000	10,000	10,000	9,000	8,000
Gemstones (sapphires)	carats	3,500 r/	4,000 r/	4,000 r/	4,006 r/ 3/	9,229 3/
Gold, mine output, Au content	grams	--	--	--	5,000	24,755 3/
Gypsum		80,000	85,000	85,000	113,000 r/	145,000
Salt, rock		8,000	8,000	8,000	14,000 r/	18,000
Tin, mine output, Sn content		300	200	200	906 r/ 3/	618 3/

r/ Revised.
1/ Table includes data available through July 29, 1998.
2/ In addition to the commodities listed, crude construction materials, such as sand and gravel and varieties of stone, presumably are produced, but available information is inadequate to make reliable estimates of output levels.
3/ Reported figure.