MEKONG CLUB
FIGHTING THE BUSINESS OF SLAVERY

Laos

Private Sector Assessment

A Preliminary Scoping Study

The primary objective of the study is to provide a broad-based overview of the private sector in Laos as a stakeholder in combating modern slavery in the country

The Mekong Club

The Mekong Club is a catalyst for change – engaging, inspiring and supporting the private sector to eradicate slavery from their business. Given that the majority of modern-day slavery exists in the private sector, these companies are ideally placed to help turn the tide of this global epidemic.

The only organisation of its kind, The Mekong Club steers away from the approach taken by other players in this space, which is to 'name and shame' companies – ousting bad behaviour or issues related to this subject. Instead, we believe in starting and ending with collaboration.

In fact, The Mekong Club originally formed as a direct response to the growing number of companies looking to develop strategies to address forced labour risk through a professional forum. Divided into industry-specific working groups, these networks meet regularly to learn, share best practices, and network with other like-minded professionals. Member companies also work together to achieve an annual deliverable which will work towards producing tangible results in the fight against forced labour.

1. Contents

2. Objectives of the Study

The primary objective of the study is to provide a broad-based overview of the private sector as a stakeholder in combating modern slavery in the country. More specifically the study aims to generate a knowledge base from which The Mekong Club can approach the private sector in order to create awareness and offer cooperative solutions for the eradication of modern slavery in corporate supply chains; the core focus of the Mekong Club's mission.

The following secondary objectives specify the details of the data that need to be gathered in order to fulfil the scope of the study:

- Give an overview of the demographic landscape and economic conditions in Laos
- Detail the characteristics of the labour force in Laos by looking at factors such as size, average income, distribution, key issues
- Provide a detailed analysis of the private sector in terms of size of industries, number of workers and key players
- Provide in-depth reports on the Banking/finance, Manufacturing, Construction, Agriculture and Retail and hospitality industries
- Identify the current state of modern slavery in Laos

3. Definition of Terms

Throughout the report the following definitions will apply to the use of the terms human trafficking, forced labour, bonded labour and contract slavery, as specified by The Mekong Club.

HUMAN TRAFFICKING	FORCED LABOUR	BONDED LABOUR AND CONTRACT SLAVERY
An act (1) carried out by a third party, through different means (2), for the purpose of exploitation (3). For children under age 18 it is sufficient to demonstrate the act of moving a child for the purpose of exploitation.	All work or service which is extracted from any person underthe menace of any penalty and for which the person has not offered themselves voluntarily.	Bonded labour begins when a worker borrows money from an employer and commits themselves to work for the employer in return. Contract slavery involves deceiving or illegal contracts signed by victims who cannot understand them,and used to justify forced labour.
1. Act of: • Recruitment • Transportation • Transfer • Harbouring • Receipt **2. By means of:** • Threat • Force or coercion • Abduction • Fraud • Deception • Abuse of power • Abuse of vulnerability **3. For the purpose of:** • Exploitation • Slavery or similar practices • Servitude • Prostitution • Removal of organs • Forced labour and service	**Threat of penalty** • Physical and/or sexual violence. • Imprisonment or physical confinement. • Withholding of wages, unreasonable fees or financial penalties. • Withholding of identity documents. • Unfair dismissal or exclusion from future employment. • Deprivation of food or shelter. • Exclusion from community, social life or denunciation to community/family. • Intimidation and other threats. **Lack of Valid Consent** • Worker deceived about the wages they would receive. • Worker cannot leave employment as they must remain for an undefined period to repay debts to employer. • Worker made to work by family. • Deception or fraud during recruitment stages.	**Common features of Bonded Labour** • The employer manipulates interest rates or charges excessive rates. • The employer imposes high charges for food, accommodation, transportation, or tools. • The employer charges workers for shortfalls in business output or days missed due to worker sickness. **Common features of Contract Slavery** • Contracts are in a language the victim does not understand. • Contracts are presented to victims who cannot read. • Victim is told fines and penalties will follow if he breaks the contract.
HUMAN TRAFFICKING → emphasizes the movement of victims	**FORCED LABOUR** → is often a consequence of human trafficking and emphasizes the exploitative condition the victim suffers	**BONDED LABOUR** **CONTRACT SLAVERY** are two forms of forced labour

4. Demographic Overview & Key Social Trends

4.1. Summary

Population	6.4 million
Rural	67%
HDI	0.740
Poverty Rate	7.2%
GINI	39.4

4.2. Population Distribution

The total population of Laos was estimated at 6,492,228 as of March 1,2015. [1]According to the Population and Housing Census of 2015, about 67% of the total population resided in rural areas. The male-female ratio is almost equal. The reports states that "At its current population, the country remains one of the smallest in Southeast Asia - slightly bigger than Singapore, but less than half of neighbouring Cambodia."

Population Distribution by gender and Location in (2016)

	2016
Total	6,492,228
Male	50.1%
Female	49.9%
Rural	67%
Urban	33%

The Lao population is distributed over 17 provinces and the capital Vientiane, which has a population of 820,940.[2]

1. http://www.lsb.gov.la/lsb/pdf/PHC-ENG-FNAL-WEB.pdf
2. http://www.lsb.gov.la/lsb/pdf/PHC-ENG-FNAL-WEB.pdf

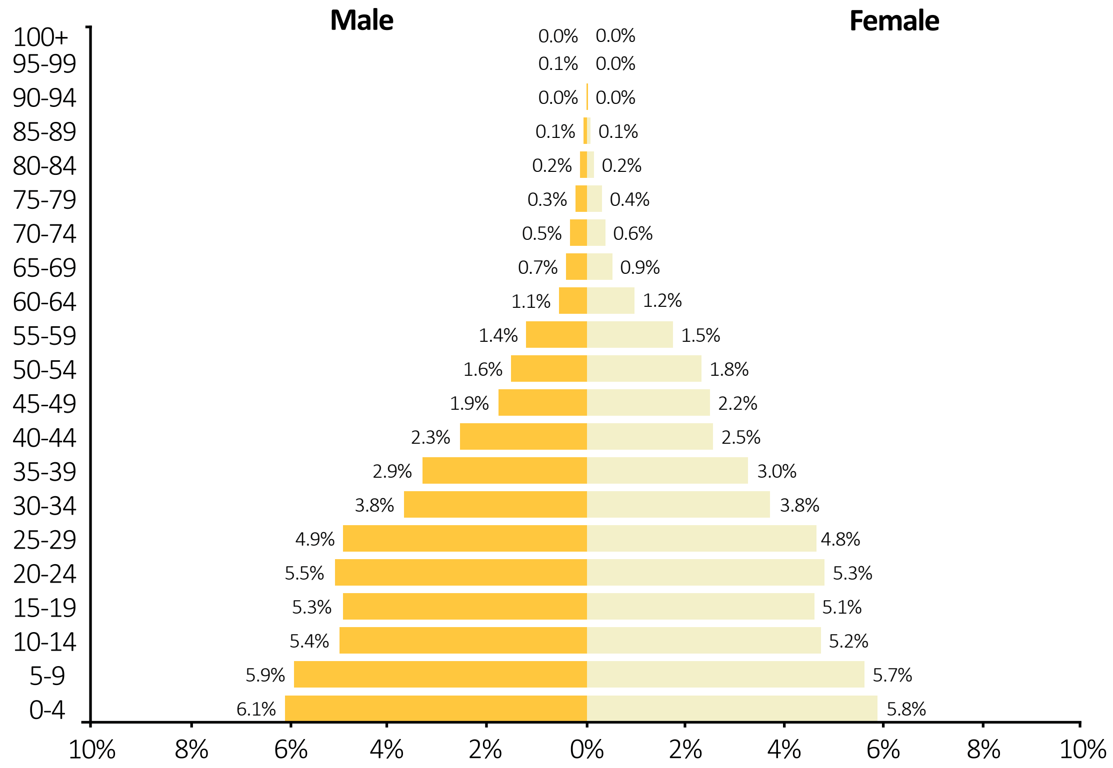
Number of Districts and Average Population of Districts by Province: 2015

Province	Number of Districts	Total Population	Average Population of Districts
Total	148	6,492,228	43,866
Vientiane Capital	9	820,940	91,216
Phongsaly	7	177,989	25,427
Luangnamtha	5	175,753	35,151
Oudomxay	7	307,622	43,946
Bokeo	5	179,243	35,849
Luangprabang	12	431,889	35,991
Huaphanh	10	289,393	28,939
Xayabury	11	381,376	34,671
Xienkhuang	7	244,684	34,955
Vientiane Province	11	419,090	38,099
Borikhamxay	7	273,691	39,099
Khammuane	10	392,052	39,205
Savannakhet	15	969,697	64,646
Saravane	8	396,942	49,618
Sekong	4	113,048	28,262
Champasack	10	694,023	69,402
Attapeu	5	139,628	27,926
Xaysomboun	5	85,168	17,034

Laos has a youthful population that will soon lead to the realisation of a "demographic dividend", which "refers to the opportunity for accelerated economic growth resulting from declining fertility and mortality which, leads to a growing proportion of the working population accompanied by a reduction in population dependent on them."[3] The 2017 population pyramid clearly shows that about 60% of the population is under the age of 29.[4]

3. Ibid
4. https://www.populationpyramid.net/lao-peoples-democratic-republic/2017/

Population Pyramid 2017



4.3. Social Indicators

4.3.1. Human Development Index (HDI)

According to the UNDP Human Development Report of 2016[5], "Lao People's Democratic Republic's HDI value for 2015 is 0.586— which put the country in the medium human development category—positioning it at 138 out of 188 countries and territories."The Human Development Index (HDI) is a statistic measuring human development based on life expectancy, education, and per capita income indicators.[6]

In its overview of the country, the World Bank[7] states that Lao PDR,*" a lower-middle income economy with a GNI per capita of $2,150 in 2016, is one of the fastest growing economies in the East Asia and Pacific region and globally. GDP growth averaged 7.8% over the last decade, with the use of the country's natural resources – mostly water, minerals and forests – contributing around one third of this growth. Economic growth remains vibrant in 2017, though slower compared to earlier years. An expansion in power generation, manufacturing, and agriculture is offset by a slight deceleration in investment and a drop in tourism. The growth in agriculture, where most Lao workers are engaged, and the recent expansion of labor intensive manufacturing, albeit from a low base, are expected to help in poverty reduction."*

Laos Human Development Index (HDI)

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP$)	HDI Value
1990	53.6	6.7	3.1	1,616	0.397
1995	56.2	6.9	3.6	1,902	0.425
2000	58.9	8.0	3.9	2,244	0.463
2005	61.8	9.0	4.2	2,887	0.503
2010	64.4	9.9	4.6	3,725	0.655
2011	64.9	10.2	4.8	3,930	0.662
2012	65.3	10.4	5.0	4,201	0.668
2013	65.7	10.6	5.1	4,500	0.675
2014	66.2	10.8	5.2	4,798	0.678
2015	66.6	10.8	5.2	5,049	0.683

In South East Asia, Vietnam outranks the Philippines, Cambodia and Myanmar (see Table 5.2.1.1) on the HDI. Although Vietnam does well in ensuring a higher life expectancy through healthcare and provides adequate education, the country lags significantly in generating above average GNI per capita when compared to its neighbours. Even though the government is successful in providing basic services, pressure on citizens to procure an adequate income is becoming more pronounced as the state embraces a free market economy. This increases the conditions under which modern slavery can flourish.

When the HDI is corrected for inequality, Laos "looses" less in human development than other South East Asian countries, indicating more equal access to basic services and income generation across the population[6].

5. UNDP: Human Development Reports – Laos: http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/LAO.pdf
6. Wikipedia: https://en.wikipedia.org/wiki/Human_Development_Index ;see also UNDP: http://hdr.undp.org/en/content/human-development-index-hdi
7. http://www.worldbank.org/en/country/lao/overview
8.http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/LAO.pdf

Lao's HDI Value and component measures compared to countries in the region[9]

	HDI Value	HDI Rank	Life Expectancy at birth	Expected years of schooling	Mean Years of Schooling	GNI Per Capita (PPP USD)	IHDI Value
Vietnam	0.683	115	75.9	12.6	8	5,335	0.562
Philippines	0.682	116	68.3	11.7	9.3	8,395	0.556
Thailand	0.740	87	74.6	13.6	7.9	14,519	0.586
Indonesia	0.689	113	69	12.9	7.9	10,053	0.563
China	0.738	90	76	13.5	7.6	13,345	**
Malaysia	0.789	59	74.9	13.1	10.1	24,620	**
Cambodia	0.563	143	68	10.9	4.7	3,095	0.436
Myanmar	-	-	-	-	-	-	-
Lao People's Democratic Republic	0.586	138	66.6	10.8	5.2	5,049	0.427
East Asia & Pacific	0.720	-	74.2	3,423	0.617	12,125	0.581
Medium HDI	0.631	-	68.6	4,314	0.655	6,281	0.469

4.3.2. GINI Coefficient

The distribution of inequality is further illustrated through the GINI coefficient, which is calculated at 36.7 for the year 2013 . Lao PDR's GINI is higher than Vietnam (35.6) and Cambodia (36), but lower than Indonesia (38.1),Malaysia (46.2) and the Philippines (43.0)

4.3.3. Poverty Rate

According to the Asian Development Bank[11] , 23.2% of the population in Lao PDR lives below the national poverty line, as measured in 2012. The World Bank[12] states that

"poverty in Lao PDR declined from 33.5% to 23.2% in the last decade lifting half a million people out of poverty...However, poverty could have declined further had a large number of vulnerable households not fallen back into poverty.

9. UNDP: Human Development Report 2016: Human development for everyone
10. UNDP: Human Development Reports: http://hdr.undp.org/en/content/income-gini-coefficient
11. https://www.adb.org/countries/lao-pdr/poverty
12. http://www.worldbank.org/en/country/lao/publication/drivers-of-poverty-in-lao-pdr

- Many people escaping poverty remain close or have slipped to the poverty line – about half of the poor in 2013 were not poor in 2008.
- About 80% of the population in 2013 live on less than $2.5 per day and face a 10% chance of falling back into poverty.
- Agriculture and health shocks are the main drivers of household vulnerability.
- Farming households are twice as likely to fall back into poverty compared to non-farming households."

5. The Labour force

5.1. Employment and Income

5.1.1. Employment Distribution

According to the Population and Housing Census 2015 , the population aged 10+ stood at 5.1 million. Of this total3.4 million or 67.7% were economically active and thus available for work, while 29% was not in the labour force. Unemployment stood at 1.7%.

The structure of industry is primarily informal, with as much as 80.1% of the population working for their own account or as an unpaid family member. This is a significant factor in the risk associated with modern slavery practices as these persons are unprotected by law and can easily fall pray to exploitation. Only 7.5% of the working population is employed in the private sector, while 11.1% is ether employed in the government or on state cooperatives.

Usually Employed Persons 10 and above by Status in Employment by Sex

	Total Population 10 + who are Usually Employed		Government Employee	Employee in State Cooperatives	Private Sector Employee	Employer	Own Account Worker	Own Account Worker
All Areas	3,474,582	100	10	1.1	7.5	0.6	37.8	43
Female	1,699,182	100	6.5	0.7	5.9	0.4	25.9	60.7
Male	1,775,400	100	13.4	1.4	9.1	0.8	49.2	26.2

The agricultural industry is still the biggest industry, employing 72% of "usually employed persons". Other important industries are Manufacturing (3.5%), Construction (3%), Wholesale and Retail (5.3%) and Defense (6.3%)

13. http://www.lsb.gov.la/lsb/pdf/PHC-ENG-FNAL-WEB.pdf
14. http://www.lsb.gov.la/lsb/pdf/PHC-ENG-FNAL-WEB.pdf

Usually Employed Persons by Type of Industry[14]

Type of Industry	Number of Usually Employed Persons	Employment Share of Industry
Total	3,4734,582	100.0
Agriculture, forestry and fishing	2,500,796	72.0
Mining and quarrying	13,866	0.4
Manufacturing	123,060	3.5
Electricity gas and air-conditioning supply	9,290	0.3
Water supply, sewerage waste management and remediation activities	4.110	0.1
Construction	103,102	3.0
Wholesale and retail trade, repair of motor vehicles and motorcycles	183,539	5.3
Transportation and storage	28,257	0.8
Accommodation and food service activities	20,664	0.6
Information and communications	7,474	0.2
Financial and insurance activities	11,961	0.3
Real estate activities	348	0.0
Professional scientific and technical activities	15,184	0.4
Administrative and support service activities	14,967	0.4
Public administration and defense, compulsory social security	220,460	6.3
Education	79,266	2.3
Human health and social work activities	17,368	0.5
Arts entertainment and recreation	5,722	0.2
Other service activities	39,844	1.1
Activities of households as employers undifferentiated hoods and services producing activities of households for own use	2,472	0.1
Activities of extraterritorial organisations and bodies	3,750	0.1
Not Stated	69,082	2.0

15. https://tradingeconomics.com/cambodia/indicators
16. http://www3.weforum.org/docs/WEF_GGGR_2017.pdf
17. http://www.la.one.un.org/sdgs/sdg-5-gender

5.1.2. Income

The living wage for a family were reported to be 1 265 200 KHR (310 USD) per month in December 2017. This translates to a living wage for an individual of 626 400 KHR (153 USD) per month. [15]

5.2. Gender Gap

According to the World Economic Forum Global Gender Gap Report 2017 , Lao PDR ranked 64th of 144 countries measuring 0.703 on its Gender Gap index.

The United Nations in Lao summarizes progress on Sustainable Development Goal 5: Gender Equality as follows:

"The gender equality gap has narrowed in all three levels of education enrolment in Laos, but challenges persist in education completion. Two key determinants drive the patterns of gender inequity in education: Girls are more likely to be kept at home due to safety concerns and household responsibilities, especially if the secondary school is far from home. Parents do not put the same value on education for girls as they do for boys, especially if this view is part of their tradition, or if the parents are poor, or have little or no education.

Lao PDR has one of the highest rates of early marriage in the region. One-third of women marry before age 18, while one-tenth marry before age 15. Early marriage is often associated with early pregnancy. In 2012, 19.4 percent of reproductive aged women had given birth by age 18, while 3.6 percent had done so by age 15.

The share of women in wage employment is low in all sectors (35 percent), including non-agricultural sectors (34 percent). Instead, among the unpaid workers for the family, 65 percent are women.

An equal share of men and women make up the working population, but women generally occupy the lower rungs of the labour market. Women are relatively more excluded from formal sectors and the social protection that this entails. .... Although women have significant roles in agriculture, they have less access to and control of farming inputs and credit.Women account for only 23 percent of all employers, more often of small enterprises, rather than medium to large firms.

Women undertake multiple roles and begin working at an earlier age, which affects their well-being. Women spend over four times the amount of time in housework each day (2.6 hours) than do men (0.6 hours), in addition to agricultural activities (2.3 hours for women, 2.5 hours for men). Across all ages and locations, the proportion of economically active girls is substantially higher than that of economically active boys."

13. Ministry of Planning and Investment General Statistics Office Report on Labor Force Survey, Quarter 4, 2016

14.

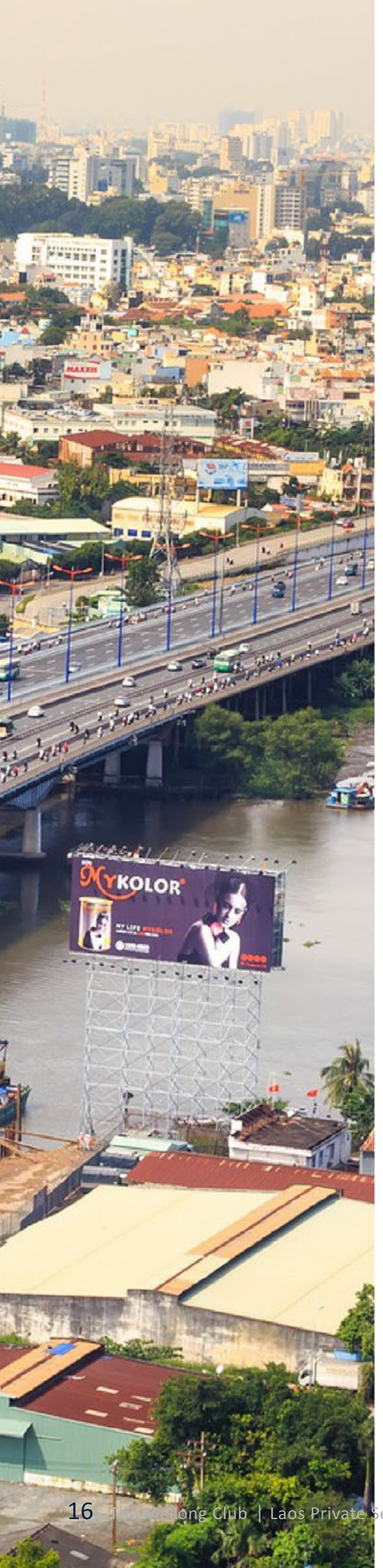
5.3. Comparative Minimum Wage

Compared to the rest of Asia, Lao PDR's current minimum wage structure puts it at the lower end of ASEAN, and significantly lower than the East Asian and OECD economies

Comparative Minimum Wages in Selected Countries in Asia(As of 30 June 2017)[18]

Country/City	Daily Minimum Wage		Monthly Minimum Wage		Exchange Rate Per US$1*
	In Country Currency	In US$	In Country Currency	In US$	
Bangladesh (Taka)	176.67 [b]/	2.23	5,300.00 [1]/	66.88	79.2430
Mongolia (Tugrik)	6,400.00 [a]/	2.73	192,000.00 [2]/	81.95	2,342.8400
Myannmar (Kyat)	3,600.00 [a]/	2.68	108,000.00 [3]/	80.32	1,344.6100
Lao PDR (Kip)	30,000.00 [a]/	3.71	900,000.00 [4]/	111.39	8,079.9800
Pakistan (Rupee)	333.33-400.00 [a]/	3.22-3.86	10,000.00-12,000.00 [5]/	96.62-115.95	103.4940
Cambodia (Cambodia Riel)	18,666.67 [a]/	4.67	560,000.00 [6]/	140.00	4,000.0000
Vietnam (Region I & II Dong)	103,333.33-116,666.67 [a]/	4.60-5.20	3,100,000.00-3,500,000.00 [7]/	138.07-155.89	22,452.4000
Philippines/XI (Peso)	340.00 [8]/	6.74	10,200.00 [b]/	202.20	50.4451
Philippines/VII (Peso)	308.00-366.00 [9]/	6.11-7.26	9,240.00-10,980.00 [b]/	183.17-217.66	50.4451
Philippines/III (Peso)	329.00-380.00 [10]/	6.52-7.53	9,870.00-11,400.00 [b]/	195.66-225.99	50.4451
Philippines/IV-A (Peso)	293.00-378.50 [11]/	5.81-7.50	8,790.00-11,355.00 [b]/	174.25-225.10	50.4451
Indonesia (Jakarta-Jawa-Timur-Surabaya) (Rupiah)	38,333.33-103,333.33 [a]/	2.88-7.77	1,150,000.00-3,100,000.00 [12]/	86.52-233.23	13,291.8000
Malaysia (Ringgit)	30.67-33.33 [a]/	7.14-7.76	920.00-1,000.00 [13]/	214.23-232.86	4.2944
Thailand (Baht)	300.00 [14]/	8.84	9,000.00 [b]/	265.29	33.9245
Philippines/NCR (Peso)	454.00-491.00 [15]/	9.00-9.73	13,620.00-14,730.00 [b]/	270.00-292.00	50.4451
China (Yuan Renminbi)	33.33-73.00 [a]/	4.90-10.73	1,000.00-2,190.00 [16]/	147.04-322.02	6.8008
Taiwan (Taiwan Dollar)	920.00 [17]/	30.25	27,600.00 [b]/	907.54	30.4120
Hongkong ($HK)	260.00 [18]/	33.32	7,800.00 [b]/	999.70	7.8024
South Korea (Won)	51,760.00 [19]/	45.37	1,552,800.00 [b]/	1,360.99	1,140.9300
Japan (Japan Yen)	5,424.00-7,280.00 [20]/	48.36-64.90	162,720.00-218,400.00 [b]/	1,450.66-1,947.04	112.1700
New Zealand (New Zealand Dollar)	97.60-122.00 [21]/	71.19-88.99	2,928.00-3,660.00 [b]/	2,135.67-2,669.58	1.3710
Australia (Australian Dollar)	141.60 [22]/	107.73	4,248.00 [b]/	3,231.97	1.3144

*For more full details of how the wages are determined see: http://www.nwpc.dole.gov.ph/pages/statistics/stat_comparative.html



6. Political Risk Assessment

According to BMI[19] , Lao PDR's political risk in 2015 could be summarized as follows:

> *"The political climate in Laos will remain stable over the coming years, as the country's only legal political party, the Lao People's Revolutionary Party (LPRP), will maintain its tight grip on power. While Laos continues to enjoy political stability, the latest crackdown on the Hmong on Christmas Day in 2014 and the continued lack of political accountability over the disappearance of social activist SombathSomphone will bode poorly for the country's long-term political trajectory."*

After the January 2016 Revolutionary Party Congress BMI updated their risk assessment as follows[20] :

> *"BMI View: Although there was a significant change of leadership for the Lao People's Revolutionary Party (LPRP) during its 10th party congress (held from January 18-22), we believe that the new politburo is unlikely to make dramatic changes to existing policies that would risk disrupting the rapid economic development that has marked recent years. However, Vientiane will likely adopt a more balanced foreign policy stance over the coming year given that the country is set to chair the ASEAN Committee for 2016, and the new leadership appears to be more balanced.".*

7. The Private Sector

7.1. Overview

Lao PDR has seen significant growth over the past years. The World Bank Lao PDR: Systematic Country Diagnostic provides a detailed overview of the key strengths and weaknesses of the country. For the sake of a thorough overview, the report is quoted extensively below

"Gross domestic product (GDP) growth averaged 7.8 percent per year over the past decade, making Lao PDR the 13th fastest-growing economy globally. Incomes rose, poverty declined, and access to some basic services, including education, health,and infrastructure, improved considerably. Strong growth was mainly driven by a growing use of natural resources, gradual opening up, and integration in the region. Still, some development outcomes have fallen short of potential.

The increase in incomes for most of the population was not commensurate to the GDP growth. This is due to growth being driven by natural resources where job creation was limited, stagnant productivity in agriculture where most of the labor force continues to be engaged, and the creation of very few jobs out of agriculture.

Social norms and traditions further undermined progress. Consequently, poverty reduction was slower compared topeers, malnutrition continues to behigh, and the risk of falling into poverty is real for a large part of the population. Indicators are persistently worse for minority ethnic groups while a gender gap emerges in education and health.

Continued environmental degradation will hurt livelihoods and undermine growth prospects, and together with climate change will increase the already high risks from natural disasters. If any of these risks materialize, the poor are likely to be most affected as they have the least options to mitigate risks.

Looking ahead, the report identifies three pathways through which the country can achieve more inclusive growth. For resource-rich economies like Lao PDR, it is very important to advance integration, get a fair share of resource rents, and convert these into human and physical assets.

To accomplish this, progress will be needed on the three pathways:

1. *sustainable and efficient management of natural resources,*
2. *unlocking the potential in non-resource sectors, and*
3. *building the assets of the people to be able to take on increased opportunities as well as mitigate risks and protect gains.*

Another overview highlights the following[21] :

The economy of Laos has been driven primarily by mining of copper, gold and silver, along with the development of major hydroelectric power plants. These industries are largely dominated by Chinese investors.

China is by far the largest foreign investor in Laos, having invested US$6.7 billion into over 760 projects in mining, hydropower, agriculture, finance, shopping centres, and special economic zones, according to the best figures available.

19. http://www.asia-monitor.com/risk-summary-laos-apr-2015
20. http://www.asia-monitor.com/political-risk-analysis-new-leadership-unlikely-lead-dramatic-changes-mar-2016

However, investors from Japan, the Republic of Korea (RoK), Thailand and Malaysia also have a strong presence in Vientiane, the capital of Laos, particularly in the automobile, real estate, construction, finance and retail markets.

7.2. Key Players in the Private Sector

Due to the small size of the private sector only a few domestic companies are prominent in Laos. The following list provides an overview of the top companies in Laos:

Electricite du Laos	Utilities	Electricity	Vientiane	1959	Electric utility
Lao Airlines	Consumer services	Travel & leisure	Vientiane	1976	Aviation
Lao Brewery Company	Consumer goods	Food & beverage	Vientiane	1971	Beverage
Lao Central Airlines	Consumer services	Travel & leisure	Vientiane	2010	Aviation, defunct 2014
Lao Holding State Enterprise	Utilities	Electricity	Vientiane	2005	Electric utility
Lao Skyway	Consumer services	Travel & leisure	Vientiane	2002	Aviation
Nam Theun 2 Power Company	Utilities	Electricity	?	?	Electric utility

21. http://retailinasia.com/in-markets/south-east-asia/vietnam/why-laos-retail-market-is-worth-a-look/

7.3. Transparency

Transparency International ranks Lao123rd out of 175 countries on its Corruption Perceptions Index of 2016 , an index based on expert opinion from around the world that measures the perceived levels of public sector corruption worldwide. This illustrates the lack of transparency of public institutions and the high incidence of corruption.

Country	CPI2016	Rank
New Zealand	90	1
Singapore	84	7
Australia	79	13
Hongkong	77	15
Japan	72	20
Bhutan	65	27
Taiwan	61	31
Brunei	58	41
Korea (South)	53	52
Malaysia	49	55
Solomon Islands	42	72
China	40	79
India	40	79
Mongolia	38	87
Indonesia	37	90
Maldives	36	95
Sri Lanka	36	95
Philippines	35	101
Thailand	35	101
Timor-Leste	35	101
Vietnam	33	113
Pakistan	32	116
Laos	30	123
Nepal	29	131
Myanmar	28	136
Papua New Guinea	28	136
Bangladesh	26	145
Cambodia	21	156
Afghanistan	15	169
Korea (North)	12	174

22. https://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

8. The Mekong Club Target Sectors

For the purpose of this study, which aims to generate a knowledge base from which The Mekong Club can approach the private sector in order to create awareness and offer cooperative solutions for the eradication of modern slavery in corporate supply chains, attention will be given to the following core target sectors:

- Agricultural (72% of the economically active population)
- Retail trade (5.3%),
- Manufacturing (3.5%)
- Accommodation&Food service industry
- Banking and financial services
- Construction (3%)

8.1. The Agricultural Sector

8.1.1. General

As the agricultural sector is of vital importance to the Lao economy, more attention will be given to its structures and development. As with all developing economies, there has been a gradual decline in the contribution of agriculture to the GDP, yet in continues to play a major role in Lao PDR's economy. About 72 percent of the total cultivated area in Lao is dedicated to rice.

According to the Food and Agricultural Organisation of the UN[23] , Lao PDR is

"a country rich in biodiversity. It is estimated that biological resources contribute over 66 per cent to GDP. Furthermore, they provide indispensible benefits for the rural poor as agro-biodiversity is a source of food, nutrition and income. In the area of forestry, for instance, some non-timber forestry products (NFTP) such as animals, bamboo and rattan shoots, fruits, greens, honey, khem grass are sold in local markets and some are traded internationally. Additionally, non-wood forest products, including edible insects, provide 60 per cent of the monetary income of rural villages. An estimated 40 percent of protein consumption derives from fisheries, making it the main source of animal protein."

One of the key shifts in agriculture is the increasing commercialization of production. The FAO[24] states that
"currently, 33 percent of farmers are producing mainly for sale. Yet, around 80 percent of the rural population is still subsistence farmers, depending on heavily rice-base agriculture, raising livestock and relying on collection of food from the wild to supply it with nutrient-rich foodstuffs. Similarly, livestock production has become increasingly commercialized in recent years, driven by a regional demand that is projected to grow at between 3.5 and 4 percent per annum in the present decade. Use of chemical fertilizers, has traditionally been low, however, with the spread of agricultural concessions, an increased trend in their use has been registered. To date approximately 1.1 million hectares, or roughly five percent of the country's territory have been approved for concessions and leases.

Although the agricultural industry is growing, the conditions of farmers remain poor and in some cases farm workers endure severe conditions. Studies detailing the conditions on banana farms[25], the effects of contract labour[26] and various other scenarios provide more insight to the labour situation in Laos.

8.2. FMCG Retail

The Laotian Retail market has only recently been liberalized :

> *"Decision No. 1005/MOIC on Wholesale and Retail Businesses issued on 25 May 2015 and its additional instructions (No. 0515/MOIC.DTD, 17 June 2015) have just come into force which now allow foreign individuals and legal entities to operate wholesale and retail businesses in the Lao PDR.*
>
> *This Decision marks a major reform and significant liberalization of the wholesale and retail sector which has hitherto been strictly reserved for Lao citizens."*

Since then, luxury brands and overseas retailers have made significant investments in Vientiane. Malls like Talat Sao Mall and Vientiane Center offers a broad selection of brands from across the world.

The majority of the population still utilizes small stores, street vendors and wet markets

8.3. Manufacturing

The following export product groups represent the highest dollar value in Laotian global shipments during 2016. Also shown is the percentage share each export category represents in terms of overall exports from Laos.

- Ores, slag, ash: US$980.9 million (31.1% of total exports)
- Copper: $349.3 million (11.1%)
- Electrical machinery, equipment: $341.5 million (10.8%)
- Beverages, spirits, vinegar: $183.8 million (5.8%)
- Fruits, nuts: $161 million (5.1%)
- Gems, precious metals: $135 million (4.3%)
- Inorganic chemicals: $122.6 million (3.9%)
- Clothing, accessories (not knit or crochet): $106.5 million (3.4%)
- Vegetables: $101.7 million (3.2%)
- Rubber, rubber articles: $73.8 million (2.3%)

With regards to added-value manufacturing, the textile and garment industry makes the biggest contribution.

23. http://www.fao.org/laos/fao-in-laos/laos-at-a-glance/en/
24. http://www.fao.org/laos/fao-in-laos/laos-at-a-glance/en/
25. http://www.bananalink.org.uk/banana-industry-laos-dangerous-working-conditions-and-environmental-destruction
26. http://www.fao.org/uploads/media/Role%20of%20contract%20farming%20in%20rural%20farm%20Laos.pdf

8.3.1. Garment industry

According to the 2012 World Bank Labour standards and productivity in the garments export sector Report

"the Lao garments industry is comprised of approximately 100 firms, employing just over 20,000 workers. Annual exports are around US$ 200 million, most of which go to the European Union. The industry is modest by most international standards, but is the largest formal sector of manufacturing employment in a country which is trying to manage the effects of a natural resources boom on the rest of the economy.

New statistics[29] estimate the size of the industry as follows:

The Lao garment industry has been on the decline. The value of exports increased from US$87 million in 1995 to a peak of US$219 million in 2011, before gradually falling to US$174 million in 2015. The share of garments in total exports also declined from an average of 36 per cent during 2001–2005, to only 8 per cent during 2011–2015.
Foreign direct investment in the garment industry has also fallen significantly from a total value of US$65 million during 1991–2000 to US$29 million during 2001–2010 and less than US$10 million during 2011–2015.

The World Bank report describes the conditions as follows:

Workers are mostly young women from rural and peri-urban areas seeking to earn income to secure a better life for themselves and their families. Many would have liked to continue their education, but their families could not afford it and a remarkable number of workers send remittances home so that siblings can gain a better education (and avoid factory work). Factory work, although difficult and demanding is considered less arduous and offers better income opportunities than alternatives such as household farming. Most workers see garments work as an interim strategy to build savings in order to start their own small business and/or family.

Workers have very little knowledge of factory work and living conditions prior to recruitment and very limited understanding of what it means to work in a modern industrial setting. Hours are long (8hrs/day, 6 days a week plus overtime) and workers complain about compulsory overtime, sometimes until early morning hours. Even in relatively "good" factories, workers complain of insufficient drinking water, poor air quality and heat, inadequate sanitation facilities, difficult living conditions, strict factory rules and difficult relations with supervisors.

Firms identify the supply of labour as their most significant constraint. Attrition from large and medium firms is around 3.5 percent of the work force every month, while small firms lose on average just over 6 percent of their workers every month. Firms also report that as many as half of their work force has been with the factory for three years or more, suggesting very high drop-out rates and churning primarily among new labour market entrants. As a result, the sector is operating at levels below full capital utilization due to labour shortages.

Firms want to invest in improving labour productivity, but are afraid of losing their return on investment because of high staff turn over. While high attrition rates plague garments industries in many countries, managers of multi-national companies operating in Lao PDR report that this rate is high, even by regional industry standards. Labour standards and productivity in the garments export sector.

27. https://www.dfdl.com/resources/legal-and-tax-updates/lao-wholesale-and-retail-sectors-now-open-to/
28. http://www.worldstopexports.com/top-10-exports-from-laos/

Reasons for work force departures are multiple, but include difficult transitions, especially for rural migrants with insufficient information on working and living conditions or understanding of their contractual rights and obligations. Wages, both rates and a perceived lack of consistency and transparency (due in part to poor numeracy among new workers), and working hours, particularly excessive overtime demands, are identified as the primary reasons workers quit. Lao workers also resent pressure and conflicts with supervisors that can be further exacerbated by cultural clashes with foreign male supervisors. The lack of effective systems of worker representation or dispute resolution mechanisms provide limited means of resolving problems, so workers feel they simply have to 'put up' with difficult situations and talk of quitting when 'they can no longer stand it'.

The sector appears to be stuck in a low equilibrium trap with worker dissatisfaction driving high worker turnover, which in turn drives low capacity utilization, investment in work forces kills upgrading and training and productivity. Workers cannot voice their interests and there is no effective system of work force representation or collective bargaining. Thus, when faced with problems, workers feel that they have little alternative but to withdraw their labour, further exacerbating the labour supply problems that the industry faces. Lao PDR is also struggling with access to premium buyers due in part to a perceived lack of credible information on the industry's labour standards and management practices."

More information about the industry and key manufacturers can be obtained for the Association of Lao Garment Industry.

8.4. Banking Industry

The penetration of banking services in Laos is very low, with only 24% of the population having a savings account.

Bank products Total%	Total%
Savingsbook/Savingsaccount	24
DebitCard/ATMcard	10
Personalloanaccount	2
Foreigncurrencyaccount	2

In 2016 the banking industry performed as follows:

Total assets held by financial institutions in Thailand stood at THB23.54tn as of July 2016, up 3.5% y/y. Commercial banks represented 74.6% of the banking industry, with Bangkok Bank remaining the key dominant player in terms of total assets. Meanwhile, banking loans growth grew by 4.9% in Jun-2016, compared to 3.7% in Dec-2015. The growth mostly stemmed from financial business, services and construction, while consumer loans growth continued to decline in line with slow economic recovery. Loan quality continued to deteriorate as non-performing loans (NPL) increased, resulting in NPL ratio of 2.72% in Jun-2016, up from 2.38% in the same period last year. Nonetheless, banks generally have had ample buffer capital for expected losses as capital ratios remained strong in the first half of 2016, signifying a solid financial position for banks in Thailand.[30]

29. http://www.eastasiaforum.org/2016/06/03/tough-times-in-the-laos-garment-industry/

Banks in Laos[31]

Bank	Website
Banque pour le Commerce Exterieur Lao	www.bcellaos.com
Lao Development Bank	www.ldb.org.la
Agriculturel Promotion Bank	www.apblaos.com
Nayobay Bank	www.nbblao.org
Lao Viet Bank	www.laovietbank.com
Banque Franco-Lao Ltd	www.bfl.com
Lao China Bank Co.	www.laochinabank.com
Joint Development Bank	www.jdbbank.com
Phongsavanh Bank	www.phongsavanhbank.com
ST Bank CO. LtD	www.stbanklaos.com
Indochina BANK Ltd.	www.indochinabank.com
Booyoung Lao Bank Ltd	www.booyoungbank.com
Lao Construction Bank Limited	www.lc-bank.com
Maruhan Japan bank PLC Vientiane branch	www.maruhanjapanbanklao.com
Australia and New Zealand Banking Group Limited (ANZ)	www.anz.com/laos
ACLEDA Bank Lao Ltd.	www.acledabank.com.kh/la
International Commercial Bank.	www.icb-lao.com
RHB Bank Lao Ltd	www.rhb.com.la
KASIKORNTHAI BANK limited	www.kasikornbank.com.la
Sacom Bank	www.sacombank.com.la
VIETIN BANK Lao Branch	www.vietinbank.vn
Canadia Bank Lao LTD	www.cannadiabank.com
Bangkok Bank Pcl Vientiane Branch	bangkokbank.com
Krungthai Bank.co.	www.ktb.co.th
KrungsriAyudthaya Bank.co.Ltd Vientiane Branch	www.krungsri.com
TMB Bank Public Company Limited Vientiane Branch	www.tmbbank.com
Siam Comercail Bank.co.Ltd Vientiane Branch	www.scb.co.th
Public Bank Vientiane Branch	www.pbebank.com
Public Bank Sikhai Branch	
Public Bank Savanakhet Branch	
KrungsriAyudthaya Bank.co.	Ltd Savannakhet Branch
Military Commercial Joint Stock Bank - Lao Branch Vientiane Branch	
Industrial and Commercial Bank Of China Limited Vientiane Branch	www.icbc.com.la
Saigon-Hanoi Commercial Joint Stock Bank-Lao Branch:	
Public Bank Pakse Branch	
May Bank Branch	www.maybank.com
CIMB Thai Bank Vientiane Branch	www.cimbthai.com
Cathay united bank vientiane capital Branch	www.catheybk.com.tw
BANK OF CHINA LIMITED VIENTIANE BRANCH	
First Comercial Bank LTD, Vientiane Branch	

30. http://www.intellinews.com/reports/thailand-banking-industry-report-2016-28994/
31. https://www.bol.gov.la/english/other_banks3.html

8.5. Tourism, Food Service &Hospitality

8.5.1. Tourism

Tourism is an important part of the Loatian economy. According to the Asian Bank's Tourism Sector Assessment, Strategy, And Road Map for Cambodia, Lao People's Democratic Republic, Myanmar, And Viet Nam (2016–2018) report, international visitor arrivals in Cambodia amounted to 4.6 million in 2015

International Visitor Arrivals, 2008–2015 ('000)[38]

	2010	2012	2014	2015	Average Annual Growth Rate (%)	ASEAN Share (%)
Cambodia	2,508	3,584	4,503	4,775	12.3	4.4
Lao PDR	2,513	3,330	4,159	4,684	15.2	4.3
Myanmar	792	1,058	3,081	4,681	57.7	4.3
Viet Nam	5,050	6,848	7,874	7,944	9.5	7.3
Subtotal	10,863	14,820	19,617	22,084	15.1	20.3
Brunei Darussalam	214	209	201	218	-0.5	0.2
Indonesia	7,003	8,045	9,435	10,407	9.5	9.6
Malaysia	24,577	25,033	27,437	25,721	3.5	23.6
Philippines	3,521	4,273	4,833	5,361	8.2	4.9
Singapore	11,639	14,491	15,095	15,231	5.8	14.0
Thailand	15,936	22,354	24,780	29,881	10.9	27.4
Subtotal (ASEAN-6)	62,890	74,405	81,781	86,819	7.1	79.7
Total (ASEAN)	73,753	89,225	101,398	108,903	8.4	100

Tourism contributes 6.6% to Vietnam's GDP.

Although it seems little when compared to Thailand, it is a significant income stream for a country with a population of 6.4 million.

Tourism Laos summarized trends in the industry at the end of 2016 as follows[33]:

"Because of its strategic location (in the centre of Indochina and South-East Asia), Lao PDR is considered to be a "add on destination". Therefore, Lao tourism performances are likely influenced by several factors at regional level, they are worldwide tourism trends, the movement of tourists to theregion climate change, political and economic circumstances, naturaldisasters, terrorist attacks, and other, the development of unique tourismproducts for Laos, tourists circuits living Laos with neighboring countriesand increase in tourism cooperation with regional countries will be theessential factors to contribute to the success of Lao tourism.In addition, tourism is one of the eight priority programmes of the socioeconomicdevelopment of the Lao government. Therefore, the Ministry ofInformation, Culture and Tourism has set up the National Tourism Strategyfor the period 2016-2025, which is in line with the government policy.In general, the number of tourist arrivals to Laos increase constantly withan average growth rate of 12,66%. Even though, there are somesubstantial and slight changes in certain periods (in 2001 because ofterrorist attacks on September 11 in the United Sates and 2003 due toSARS epidemic in Asia) the number of tourist arrivals to Laos continuesgrow gradually until 2015. In 2016, the number of tourist arrivalsdecreased about 10% (dropped from 4,684,429 to 4,239,047)."

These figures dropped since 2015. In a seminar in June 2017 , the following was reported:

"The number of overseas tourist arrivals in Laos decreased by 12 percent in the first three months of 2017, falling from 1.24 million people in the same period last year…

The first quarter of 2017 saw an 11 percent year-on-year decrease in the number of ASEAN visitors coming to Laos, plunging from 866,000 people in the first quarter of 2016. Meanwhile the number of visitors from Europe, Americas, Africa and the Middle East showed a decrease of 29 percent, 30 percent and 29 percent respectively.

[In 2016], just over 4.23 million foreign visitors came to the Southeast Asian country, a drop of 10 percent compared to 2015."

These figures illustrate the position of Laos as an add-on country that probably suffers most when travelling and economic conditions are not stable. In support of a regional (ASEAN) tourism strategy, the government has committed "a substantial budget to improve such [infrastructure] works, including for airports, road access and other related facilities to attract more visitors across the nation."

The size of the industry is estimated as follows:

"At present, Laos has four international airports, 27 international checkpoints, 432 travel agencies with around 1,275 tourist guides, and about 3,000 accommodation providers including hotels, resorts and guesthouses to welcome visitors."

32. https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf
33. http://www.tourismlaos.org/files/files/2016%20Statistic%20Report.pdf
34. http://news.xinhuanet.com/english/2017-06/20/c_136381485.htm
35. http://newsinfo.inquirer.net/940507/laos-tourism-development-community-transportation-infrastructure

9. Modern Slavery and Human Trafficking in Thailand

9.1. Background

Laos is a source country for men women and children subjected to sex trafficking. It is also, to a lesser extent, a transit and destination country[35] . Laos also has the youngest population in the Mekong region – in 2013, 36% of the population were estimated to be under age 15[37] . In 2009 the total number of victims of trafficking found was 128 including cross border and domestic although this did not include victims trafficked into Thailand[38] . In 2016, the GSI estimated that the percentage of people in modern slavery was 0.295%, or 20,000 people out of a population of 6,802,000.

In 2010 it was estimated that Lao migrants from around the world sent back to the country $US 7,000,000 – or equivalent to 0.1% of the country's GDP. Half of all Lao emigrants in the world are in Thailand. The textile and footwear production industry in the country is dominated by 'own account' and family workers[39] . A study by UNACT[40] on migration experiences found that just under 80% of migrants had worked in agriculture before migrating to Thailand. Three and a half percent of the sample identified as possibly trafficked (this included working under exploitative working conditions and being deceived and/or cheated). The sector that had the highest proportion of possibly trafficked respondents was agriculture with 40% of those engaged in this work classified in this way. The main vulnerability factor for being trafficked, exploited and cheated and/or deceived was whether respondents used a broker to get to the Lao-Thai border. However this study had a small sample size (n=128) and this cannot be claimed to be representative. Othercountries where Lao migrants experience labour or sexual exploitation are Vietnam, Malaysia, China, Taiwan and Japan.

Lao PDR has the youngest population in the Mekong sub-region – in 2013, 36% of pop were under age[41]. This is important as the TIP report notes that many trafficking victims, many of whom are younger than 18, are exploited in Thailand's commercial sex industry as well as forced labour in domestic servitude, factories or agriculture. There are also reports of women and girls being sold from Lao PDR as brides in China and subject to sex trafficking. A piece of exploratory research on migration and human trafficking to China in 2 provinces found a reportedly 'significant' number of missing people, allegedly in China. In 14 of 22 villages as many as 9 cases were reported and in 6 out of 14 an explicit connection to marriage with men from China was identified[42].However, the limitations of this research should be borne in mind and it is not an estimate of the prevalence of the problem. Lao PDR has been reported as a destination country for women trafficked from Vietnam and China38 as well as being a transit country for women forced to work in neighbouring countries including Thailand. There are also reports of Vietnamese, Chinese and Laos women being subject to sex trafficking within Lao PDR, or in close proximity to the border as well as casinos or special economic zones to meet the demand of migrant workers and Asian tourists.

Men have been reported to be victims of forced labour in Thailand – in fishing, agriculture and construction including rubber plantations.However, as the TIP report notes, there is 'little data on the scope of trafficking within Laos'.

9.2. USA Department of State "Trafficking in Persons" Report – June 2017 Update

As reported over the last five years, Laos is a source and, to a much lesser extent, a transit and destination country for women, children, and men subjected to sex trafficking and forced labor. Lao trafficking victims often are migrants seeking better opportunities outside the country who experience labor or sexual exploitation in destination countries—most often Thailand, as well as Vietnam, Malaysia, China, Taiwan, and Japan. Some migrate with the assistance of brokers charging fees, but many also cross borders independently with valid travel documents. Traffickers, including victims' family members, are often known to those in the rural communities where they lure victims with false promises of legitimate work abroad.

A large number of victims, particularly women and girls, are exploited in Thailand's commercial sex industry and in forced labor in domestic service, factories, or agriculture. Lao men and boys are victims of forced labor in Thailand's fishing, construction, and agricultural industries. Lao victims of forced labor in the Thai fishing industry have been identified in Indonesian waters. NGOs report individuals offering transportation services near the Thai border facilitate the placement of economic migrants into forced labor or sex trafficking in Thailand.

Foreign traffickers increasinglycollaborate with local Lao middlemen to facilitate trafficking. Many trafficking victims may be among the more than 10,000 migrants deported or "pushed back" annually from Thailand without official notification, often by way of boats across the Mekong River. Vehicle drivers sometimes intercept these migrants when they return to Laos and facilitate their re-trafficking. A small number of women and girls from Laos are sold as brides in China and subjected to sex trafficking; according to the UN, this trend may have spiked during the reporting period due to the sharp increase of Chinese men registering marriages with Lao women in 2016. Some local officials reportedly contributed to trafficking vulnerabilities by accepting payments to facilitate the immigration or transportation of girls to China.

The Government of Laos does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government demonstrated significant efforts during the reporting period by expanding training for provincial law enforcement, strengthening processes for the identification of internal trafficking victims, and initiating an increased number of trafficking prosecutions. However, the government did not demonstrate increasing efforts compared to the previous reporting period. Inter-ministerial efforts and coordination on trafficking prevention remained insufficient.

36. Global Slavery Index 2016. http://www.globalslaveryindex.org/
37. Migration experiences of Lao workers deported from Thailand in 2013 Wang Tao, Lao PD. 2015.
38. Strategic Information Response Network (SIREN). Mekong region country data sheets. 2010. United Nations Inter-Agency project on Human Trafficking.
39. Workers' conditions in the textile and clothing sector: just an Asian affair? Issues at stake after the Rana Plaza tragedy. 2014. Briefing for the European Parliament.
40. Migration experiences of Lao workers deported from Thailand in 2013 Wang Tao, Lao PD. 2015
41. Human Trafficking 2015. IOM.
42. Report on an exploratory research about migration and HT to china in LuangNamtha and Phongsaly, Lao PDR. UNIAP. 2013.

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