

THE MINERAL INDUSTRY OF

LAOS

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The country's economy was hit hard in 1998 by the collapse of the kip, the national currency, which in turn was the outcome of Laos's persistent balance-of-payments deficit (Far Eastern Economic Review, 1999, p. 148). Laos further suffered from a chronic trade deficit, which was the result of excessive spending and in part its weak competitiveness on international markets. The Lao National Assembly approved a package of revenue-increasing measures, including a plan to introduce a foreign exchange interbank market to arrive at a market-determined exchange rate. Inflation was expected to reach 100% in 1998. The ailing economy was still propped up by foreign aid, which was equivalent to 15% of the country's gross domestic product (GDP). The International Monetary Fund wanted more implementation of free market reforms. Laos was heavily dependent on foreign aid to develop its own resources and to finance its public investment projects.

Direct foreign investment approvals declined to \$130 million in 1998. Thailand accounted for the majority of investment and foreign trade. Laos imported Thai goods and exported electricity to Thailand. The power sales were expected to contribute 7% to Laos's GDP in 1998. The European Union wanted Laos to be admitted to the World Trade Organization, open its markets and expand trade. The Government launched a privatization program whereby all but 33 state-owned enterprises would be sold or liquidated by yearend 1998 (Far Eastern Economic Review, 1999, p. 149).

The Government opened its door to foreign investment, especially the mining sector where the country promulgated a mining law in 1997 with the assistance of the World Bank and the Asian Development Bank. The Ministry of Industry and Handicraft is the Government's regulatory authority and granter of contracts. Prospecting permits covering a 2,000-square-kilometer (km²) concession area are issued for 2 years with a renewal of 1 year, while exploration permits covering 100 km² are issued for 3 years with two renewals of 2 years each. Mining permits with maximum concession of 10 km² are issued for 30 years and can be extended twice for 10 years each. Royalties are assessed at 2% to 5% of sales depending on mineral commodities (Metal Mining Agency of Japan, June 15,

1998, Asian mining laws, accessed October 22, 1998, at URL http://www.mmaj.go.jp/mmaj_e/asianlaw/c_lao.html).

Rio Tinto PLC was exploring for gold and base metals in Laos. Further exploration of the Khanong chalcocite deposit at Sepon delineated an inferred resource of 39 million metric tons at 2.3% copper (Rio Tinto PLC, 1998, p. 26). The deposit consists of 70% chalcocite and 30% primary copper and ironstone. Exploration of the oxide and sulfide gold resources continued in the area.

Cambridge Mineral Resources PLC of the United Kingdom cooperated with Hanover Continental Ltd. to explore potential concession areas and conduct feasibility studies for the development of a ruby mine in Laos. Ruby deposits were reported to be found in the southern region of the country. Laos has the major Ban Huai Xai sapphire mine in operation.

The first oil exploration well to be drilled in the country was completed in 1997 and abandoned as dry. The Pakse 1 well completed the U.S.-based Hunt Petroleum Corp.'s exploration commitment for the license. Monument Oil and Gas PLC holds the 36,700-km² Vientiane block and planned to drill an exploratory well in 1998.

In April, a 220-megawatt (MW) hydropower project at Nam Theun-Hinboune came on-stream. However, Thailand would not need more electrical capacity for the next few years and this placed the 900-MW, \$1.4 billion Nam Theun-2 megaproject in jeopardy.

References Cited

- Far Eastern Economic Review, 1999, Laos, *in* Asia 1999 yearbook: Far Eastern Economic Review, p. 148-149.
Rio Tinto PLC, 1998, Quarterly production report for the quarter ended 30 September 1998, *in* Rio Tinto quarterly report: Rio Tinto PLC, p. 26.

Major Sources of Information

- Lao Minerals Exploration Co.
Vientiane, Laos
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Vientiane, Laos

TABLE 1
LAOS: ESTIMATED PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/	1994	1995	1996	1997	1998
Coal, all grades	100,000	110,000	74,680 3/	95,214 r/ 3/	70,553 3/
Cement (from imported clinker)	10,000	10,000	9,000	8,000	9,000
Gemstones (sapphires)	4,000	4,000	4,006 3/	211,511 r/ 3/	255,346 3/
Gold, mine output, Au content	--	--	5,000	24,755 3/	-- 3/
Gypsum	85,000	85,000	113,000	114,306 r/ 3/	130,250 3/
Salt, rock	8,000	8,000	14,000	18,000	38,940 3/
Tin, mine output, Sn content	200	200	906 3/	618 3/	537 3/

r/ Revised.

1/ Table includes data available through July 14, 1999.

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.