

cations are a series of measures taken to perfect the legal aspects in providing a favorable climate conducive to business operations. In the past, only joint ventures were permitted. Now, wholly-owned foreign enterprises may be set up.

Secondly, China is the biggest untapped market in the world with one billion people. Recently, Beijing has announced new concessions permitting foreign subsidiaries in China to sell 20 per cent of their production in the Chinese domestic market.

Thirdly, according to the World Bank's economic report on China published in 1982, the industrial base, infrastructure and institutions are all better developed in China compared with other low-income or many middle-income developing countries. A considerable sum of money has been earmarked to improve the infrastructure in the coming years.

Lastly, China enjoys a very high credit rating. Therefore, financing an investment in China is easier and cheaper than in many other countries.

As the experiences of U.S. companies that have started ventures in China gradually unfold, it becomes clear that doing business in the country demands patience, staying power and no illusion for overnight magic. One of the biggest hindrances is that U.S. companies do not have the know-how or experience of trade with China as a result of China's long isolation from the outside world and a lack of a diplomatic relationship between the two countries for so long. It is precisely in this aspect that U.S. investors can capitalize on the gateway role of Hong Kong in seeking entry into the China market.

Hong Kong can offer at least three distinctive advantages to U.S. companies which have interest in entering the China market. The most distinctive one is Hong Kong's familiarity with working conditions in China and the friendly trade relations which have been established between the Hong Kong Chinese and people in China for a long time. Hong Kong is the most important actor in China's open-door policy. It is estimated that about 60 per cent of total foreign investment in China comes from Hong Kong. Hong Kong also tops all foreign investors in the number of joint ventures established in China. About half of the joint ventures set up in China in 1984 were with Hong Kong partners. Hong Kong interests dominate in the Shenzhen special economic zone with about 80 per cent of the investment coming from Hong Kong. Teaming up with Hong Kong firms obviously enables U.S. investors to be more competitive

in the China market.

The second distinctive advantage is the unique opportunity for U.S. firms to build up connections in Hong Kong with China's business enterprises. The general manager of the Bank of China in Hong Kong told the participants in a recent symposium that China has invested close to U.S.\$5 billion in Hong Kong in recent years with China-related business enterprises whose number approximates 60. These are out of a total of 110 such enterprises around the world. Another speaker in the same symposium estimated that by 1991 Hong Kong will have no less than 1,000 such establishments.<sup>9</sup> Undoubtedly, there are ample chances for U.S. companies in Hong Kong to establish much needed business connections with Chinese counterparts. An established network of China-related business enterprises in Hong Kong will give U.S. investors points of access to China.

The third asset is the close proximity of Hong Kong to China. Hong Kong has long been the entrepot for Chinese products. When China opens its door to the outside world, Hong Kong naturally becomes the contact point with foreign business concerns. It is no secret that the Chinese wish to profit from the substantial skills and economic know-how of Hong Kong and from the ties of the Hong Kong community with the international business world. According to some U.S. executives, a company's presence in Hong Kong is sufficient to secure business with China as the company may be approached directly by Chinese representatives. And these are not isolated cases.

At the beginning of the 1950s when China was in political turmoil, Hong Kong was chosen as a location where capital and entrepreneurs from China took refuge. At the beginning of the 1980s when China started pursuing its modernization program, Hong Kong was said to serve as a bridge over which foreign capital crosses into China. With the sure destiny of Hong Kong becoming part of its motherland again after 1997, this gateway role concept is gathering momentum.

China offers lucrative business opportunities. On the other hand, entry into the China market is a slow process for foreign investors. In this aspect, Hong Kong can offer at least three distinctive advantages to U.S. investors who plan to tap the China market. It is common wisdom that the earlier you gain a foothold in a market, the better returns you get. This is particularly true in conducting business with China in which mutual trust must be built up gradu-



ally over many years. Once an amicable relationship with China is established, however, returns are manifold. It will be worth U.S. investors' while to capitalize on the gateway role which Hong Kong is going to assume in greater proportions in the future.

## NOTES

<sup>1</sup> The statement was made in the Connecticut/China Trade Conference II. The whole speech appeared in the *China Update*, May 1983, pp. 7-13.

<sup>2</sup> The seminar was sponsored by the *China Daily* and held in New York. Excerpts of Xu Naijong's speech was published in the *China Daily*, March 24, 1985, p. 4.

<sup>3</sup> The seminar was cosponsored by Chemical Bank and the New York-Beijing Friendship Committee and reported in the *China Daily*, April 9, 1985, p. 2.

<sup>4</sup> Lee C. Nehrt, "The Political Climate for Private Investment," *Business Horizons*, June 1982, pp. 51-58.

<sup>5</sup> K. C. Mun and S. C. Ho, "Foreign Investment in Hong Kong" in Lin, *et al.*, eds., *Hong Kong: Economic, Social and Political Studies in Development* (New York: M.E. Sharpe, Inc., 1979), pp. 275-295.

<sup>6</sup> S. C. Ho, "Hong Kong—A Bridge to China for Foreign Investors?" *Management Decision*, Vol. 22, No. 6, 1984, pp. 37-46.

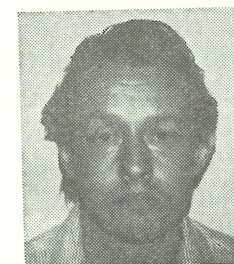
<sup>7</sup> Same as note 3.

<sup>8</sup> Same as note 2.

<sup>9</sup> The symposium was organized by the Hong Kong Affairs Society and held in Hong Kong. Main points of the symposium were reported in the *Ming Pao*, April 1, 1985, p. 4.

## THE FIRST TEN YEARS OF COMMUNIST RULE IN LAOS

By Martin Stuart-Fox



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ON December 2, 1975, the kingdom of Laos was abolished to be replaced by the Lao People's Democratic Republic (L.P.D.R.). Thirty years of intermittent warfare and internal division were at an end, and most Lao looked forward to an era, if not of prosperity, then at least of national effort in a spirit of reconciliation and hope. Ten years later it is possible to make an initial assessment of the impact of the Lao revolution to draw up a balance sheet of the first ten years of Communist rule in Laos. Admittedly any such assessment will be to a degree subjective but deeds can be measured against words, and the actual effect of policies on the quality of life of the Lao people can be examined in the light of the stated goals of the regime. The following study is offered in a spirit of critical, but not unsympathetic, understanding based on more than twenty years of visiting and writing about Laos. More specifically, it reflects conclusions reached during five weeks of interviews and discussions conducted in Laos during the months of July and August 1985.

The period of Communist government in Laos can be divided into two phases: the first from mid-1975 to the end of 1979 and the second from 1980 to the present. The event which marked the transition from phase one to phase two was the unanimous endorsement by the Supreme People's Assembly of the document known as the Seventh Resolution. This document proposed a number of important changes in economic policy, adoption of which was calculated to improve the disastrous economic performance of the first four years of the new administration. Its effect, however, was not limited to economic policy: The Seventh Resolution also had important social and political implications. This article will begin by indicating some of the principal problems faced by the new regime, policies adopted to deal with them and the effects of those policies. It will go on to discuss the economic changes ushered in by the Seventh Resolution, their implementation and the major political



developments to which they gave rise. In conclusion, an assessment will be made of the current state of the Lao economy, present difficulties faced by the regime and the relations Laos enjoys with other states, particularly Vietnam.

The sudden collapse of rightwing regimes in Kampuchea and South Vietnam in April 1975 effectively cut short the life of the Third Coalition Government<sup>1</sup> in Laos by providing conditions for a Communist seizure of power. In taking advantage of the opportunity provided, however, the Pathet Lao<sup>2</sup> were forced to abandon the process of political consolidation they had embarked upon to establish their influence in the centers of population along the Mekong river. As a result, a small number of revolutionary cadres faced the problem of how to exert control over a much larger and better educated urban population which had come to expect an artificially high standard of living based almost entirely on massive injections of American and other foreign aid. Once this aid was withdrawn, the Lao economy collapsed and the regime was faced with growing popular dissatisfaction, especially on the part of the urban middle class. Thus during the first period of Communist government in Laos from mid-1975 to the end of 1979, the Pathet Lao were concerned above all to consolidate political power in order to safeguard the continued existence of the new regime.

During the latter part of 1975, the Politburo of the Lao People's Revolutionary Party (LPRP) took a number of political and economic decisions which set the course of events in the country for the next four years. The first of these was to dispense with the pretense of coalition government, abolish the monarchy and create a people's democratic republic. This necessitated repudiation of the eighteen-point political program which the Pathet Lao themselves had put forward and which had become widely accepted as an effective blueprint for the future of the country—including retention of the monarchy, guarantees of individual rights and freedom, continuation of a mixed private-state economy and pursuit of a neutral foreign policy.<sup>3</sup>

Anticipated popular opposition to the abolition of this program forced the Pathet Lao to take steps to neutralize opposition in advance. The decision was made to incarcerate all military and police officers and most higher ranking civil servants in so-called reeducation camps for an indefinite period. Officers and officials were invited to attend seminars in which Pathet Lao policies would be explained and discussed. That so many agreed voluntarily to attend

indicated not simply naivety regarding Pathet Lao intentions, but a genuine desire on the part of many to work with their new political rulers in building a peaceful, independent and prosperous Laos.

The removal of so many potential opponents of the regime (other leading rightwing politicians and generals had already fled the country) left the way open for the Pathet Lao to move rapidly toward socialization of the means of economic production and distribution. During 1976 and 1977 a series of government decrees introduced controls limiting private commerce (what could be sold, by whom and at what prices), the movement of goods and the provision of services. Various new taxes and duties were introduced, including a progressive tax on rice production. Individual freedom of movement and freedom of association were severely curtailed. Early in 1976, a campaign of cultural and ideological rectification was instituted. Not only were all vestiges of decadent and tainted western influences to be stamped out, but traditional Buddhist rites and ceremonies were also actively discouraged as superstitious and economically wasteful practices.

The major effects of these measures were both social and economic. Distrust of the Pathet Lao became widespread once it became clear that they had no intention of pursuing the policies they themselves had embraced in their "eighteen-point program," and that they had equally no intention of honoring their promises that courses of political reeducation would be of short duration. A climate of suspicion and fear was generated through ideological denunciation of "enemies of the state" by anyone who felt so inclined. Informants remained anonymous; arrests were made without any formal investigation, and no defense was possible. As a personal relationship with anyone arrested could itself be a reason for arrest, social contact tended to be reduced to a minimum. Not until October 1978 was an ordinance circulated, though never officially published, setting out procedures to be followed in the case of arrest of persons accused of ideological "crimes" or of being tainted by the cultural values of the capitalist West. The ever-present possibility of arrest for some unknown "crime" sent thousands of Lao refugees across the Mekong to Thailand.

#### COLLAPSE OF URBAN ECONOMY

On the economic front, Pathet Lao policies had equally deleterious effects. With the termination of American aid, the Lao urban economy all but collapsed. Inflation and change of currency effec-



tively reduced salary levels of civil servants to a fraction of previous amounts. Families with members in reeducation camps were reduced to selling off valuables merely to survive. Government procurement of rice fell far short of the quantity required, partly because of climatic damage to crops, but partly too because peasants, deprived of the incentive of free market prices, reverted to a subsistence economy by planting only enough for their personal needs. At the same time, government controls over the movement of goods and monopoly of imports and exports destroyed the economic prosperity of traders and shopkeepers in Vientiane and other Mekong towns.

The combination of political repression, social control and economic collapse led to a massive exodus of refugees from Laos that the authorities were unable to stanch. From the region of Vientiane in particular, but also from other Mekong river towns it was all too easy to cross to Thailand. In 1976, almost 20,000 Lao left Laos, double the number who left in 1975. In 1978 the number rose to 48,781, or almost 134 every day throughout the year.<sup>4</sup> Most who left in 1975 feared arrest and retribution at the hands of the Pathet Lao for a variety of reasons—wartime activities, anti-Communism, working for the United States in some capacity, etc. Those who fled later included many Chinese and Vietnamese merchants and businessmen, the families of officers and officials still in reeducation camps, former soldiers and police and, increasingly, middle- and lower-level civil servants who left with their families for fear of arrest or because they could see no real future for themselves or their children in a state where their class origins and education told against them. In addition, by 1980 over 100,000 hilltribe people had fled the country, most of them Hmong and Yao who had fought for the "Secret Army" funded by the Central Intelligence Agency in northern Laos.

This hemorrhage of population from Laos has been one of the most important effects of and influences on government policy over the first ten years of the L.P.D.R. Not only has loss of population been one of the most serious suffered in percentage terms by any modern state, it has also been remarkable for the fact that those who left constitute by far the majority of all educated Lao. The effect on the country has been catastrophic, setting back development by at least a generation. A critical shortage of educated cadres continues to act as a major restraint on the economic development of the country.

The outflow of refugees across the Mekong gave the government additional cause for concern over the problem of security. The concentration of Lao refugees in large and overcrowded camps just across the Mekong in Thailand provided ideal conditions for the recruitment of potential insurgents to be trained and infiltrated back into Laos to sabotage and disrupt the new regime. For the first years of its existence, the Pathet Lao government was obsessed with the problem of security. Constant appeals were made to cadres and citizens alike to be vigilant and watchful, to report any suspicious persons and to counter all antirevolutionary schemes. This contributed considerably to the stifling atmosphere of fear and suspicion which characterized the period from 1976 through 1979 and which itself contributed to the decision of so many to leave.

In effect, the new regime was never under severe threat as a result of the activity of its enemies. Most of those who left in 1975 wanted only to live abroad on the proceeds from their often ill-earned wealth. They were not the stuff of which insurgents are made! Of those who fled later, most were urban Lao who crossed with their families. Few had any aptitude for or interest in insurgency. Once an opportunity for resettlement in a third country presented itself, most left the camps to begin life afresh in France, the United States or Australia. The only serious opposition to the new regime came from the remnants of General Vang Pao's "Secret Army" in northern Laos. Even though Vang Pao himself and hundreds of his officers and their families had already been airlifted out to Thailand, it took the best part of two years for the combined Lao and Vietnamese forces to defeat Hmong insurgents in the Phou Bia mountains.

Government policies rather than insurgent propaganda were mainly responsible for continuing dissatisfaction with and opposition to the new regime. In 1978, following disastrous drought-reduced harvests in the previous year, the government introduced an interim three-year plan whose primary goal was to make the country self-sufficient in food grains. As an integral part of this plan, in May 1978 an accelerated program was launched to collectivize agriculture. Ill conceived and poorly executed, it proved to be a disaster both from the point of view of production and because of the opposition it generated among the Lao peasantry who had previously been relatively sympathetic toward the new regime.<sup>5</sup>

As government-announced figures for the number of new co-operatives climbed steadily, so did popular discontent. Peasant



attachment to their land proved as strong in Laos as elsewhere. Farmers objected to what they took to be the loss of their land and the pooling of means of production (draft animals, plows, etc.). Even the promise of some form of eventual compensation was not enough to convince peasants to cooperate. Coercion on the part of overzealous cadres and failures of the government to meet promises of material assistance to cooperatives only compounded the problem. Passive opposition became widespread. In some areas, livestock were butchered and crops destroyed. Peasants in southern Laos began fleeing to Thailand. As a result, insurgents crossing from Thailand were able temporarily to step up both antigovernment propaganda and recruitment.

By mid-1979 it was clear that cooperativization program was having a serious effect on both agricultural production and internal security. Implementation of the program had been premature and had not been based on adequate socioeconomic analysis. Land ownership in Laos was not concentrated in a few hands; indeed, almost all peasants owned some land of their own. The program had been launched for political and ideological reasons without preparation and without material support. Instead of furthering the "three revolutions" (socialization of the means and relations of production, application of science and technology, and cultural and ideological formation of the Lao people), the cooperativization program had an entirely negative effect. Only in those former "liberated areas" long under Communist control where cooperation under wartime conditions had been essential for survival, did cooperatives function effectively. In July 1979, in the face of what promised to be a disastrously reduced planting of rice, the Central Committee of LPRP issued a directive temporarily curtailing the cooperativization of agriculture. The centerpiece of the interim three-year plan was thus abandoned. The principal means by which the plan was to have achieved its targets had proved a failure. It was essential, therefore, for LPRP to rethink its economic strategy.

#### REFORM OF POLICY AND ORGANIZATION

The second phase of Communist government in Laos was ushered in by the Seventh Resolution of the Supreme People's Assembly endorsed in December 1979.<sup>6</sup> In many ways this was a remarkable document, for it tacitly admitted that economic goals had not been met, that the standard of living had deteriorated, and that, worse still, the regime had failed effectively to legitimize its exercise of

power. However, the Seventh Resolution was more than an economic document, for it ushered in a phase of "liberalization" which extended well beyond purely economic matters, but whose dimensions were never clearly defined. Many of the political developments during the second phase of Communist government in Laos can be understood as part of an ongoing struggle to define the extent of economic, social and even political liberalization to be permitted in the L.P.D.R.

The Seventh Resolution embodied major changes in economic policy. It admitted that, while Laos might be in the process of "bypassing capitalism," it was going to take time to construct a socialist economy. In the meantime, the economic health of the country required that five different economic sectors be recognized and stimulated—the individual economy of private production for personal gain, the capitalist economy, the collective economy, the state sector and joint state-capitalist enterprises. To this end, the government decreed that not only would private production and marketing be encouraged, but so too would the investment of private capital in larger enterprises, either privately controlled or run in conjunction with the state. Restrictions on private production and internal trade were to be liberalized; price controls were to be abolished for goods sold on the free market. (Subsidies on goods sold to civil servants in state shops were reduced, but not abolished.) Government finances were to be overhauled and controls decentralized. Economic management of state enterprises was to be reformed by taking profit as the criterion of efficiency.

To back up these measures, early in 1980 the government changed the nation's currency for the second time in four years, while effectively devaluing it by 60 per cent as against the U.S. dollar. A new "National Bank Kip" replaced the "Liberation Kip" introduced in 1976. As an incentive to stimulate agricultural production, progressive taxes were abolished and replaced by a single fixed tax leveled according to productivity of land, frozen at a rate of 100 kilograms per hectare for lowland paddies for a period of five years. All increase in production, even from a second crop, henceforth could be disposed of by the grower on the open market.

Already by the end of 1980, when LPRP celebrated its first five years of existence, it was evident that the reforms of the Seventh Resolution were having some effect. More and varied food supplies were available in local markets, especially in Vientiane, together with quantities of consumer goods imported from Thailand. Prices



were high, however—often beyond the reach of civil servants—partly as a result of local market forces, but partly too because of shortages resulting from repeated unilateral Thai closures of the border with Laos after almost every incident along the Mekong. Even more encouraging, the government was able to announce a rice harvest for 1980 of one million tonnes, a marked improvement over the previous year. In addition, timber production had increased to more than double the 1977 figure and electricity production had tripled with completion of the second stage of the Nam Ngum hydroelectric scheme. Both timber and electricity were mainly exported to Thailand, earning the regime much needed foreign exchange.

The Politburo and Central Committee of LPRP were sufficiently encouraged by the initial response to the reforms of the Seventh Resolution to enshrine the same broad principles in the country's first five-year plan. The plan was drawn up with the aid and thus evident endorsement of Soviet and Vietnamese experts. In addition, it drew upon advice offered in a series of economic reports prepared by the International Monetary Fund and the Asian Development Bank. In broad terms, according to LPRP Secretary-General Kaysone Phomvihane, the first five-year plan had two objectives: to "normalize the material and cultural life of the people" and to "concentrate on building those enterprises which are strategically important to our economy and national defense."<sup>7</sup> Seven priorities were listed, of which the first was to increase agricultural production. Others included building "strategically important enterprises," consolidating state enterprises, training economic managers and technicians, acquiring and utilizing foreign economic assistance, and completing the literacy campaign. The seventh priority was to consolidate and restructure "organizations which manage the economy and the state"—a task that was taken in hand by the Third Party Congress of LPRP which met in April 1982.

The actual five-year plan has never been published. It has not even been made available to the United Nations Development Program (UNDP) officials in Laos, and remains a closely guarded secret document in the hands of the Planning Commission and its Soviet and Vietnamese advisers. However, a government ordinance dated November 28, 1980, listed the principal targets to be achieved over the five-year period of the plan.<sup>8</sup> Targets were given as percentage increases over unstated production figures for 1980. They included, notably, an increase of 65 to 68 per cent in the gross social

product, of 38 to 40 per cent in income from domestic production, a doubling of industrial production and an increase of 23 to 24 per cent in total agricultural production. Consumption of rice and "other starchy foodstuffs" was targeted to reach 350 kilograms per year per person, requiring at least a 20 per cent increase in production over the 1980 harvest. Maize production was to rise by 60 per cent, tobacco by 89 per cent and coffee by 53.8 per cent. Much of the increased production of nongrain crops was destined for export "in accordance with different agreements and contracts already entered into." The details of these commitments have never been published, but Kaysone did reveal in his speech setting out the broad guidelines for the first five-year plan that exports of Lao agricultural produce to the Soviet Union were due to begin in 1981. Similar agreements with Vietnam, especially for timber and forest products, were already in force.

The economic targets set for the first five-year plan met with universal approval. Agreement was less than unanimous, however, over the means necessary to achieve them, especially as these had wider social and political implications. Political developments over the last five years can largely be seen as part of an ongoing struggle to define the sociopolitical context within which the Lao economy is to be permitted to develop. In this lies the significance of the Third Party Congress, the increased political influence of provincial administration and the military, and the series of high-level arrests and releases which have taken place over the last two years.

#### PARTY CONGRESS' MAJOR TASK

The major task of the Third Party Congress of LPRP was to address one of the priority areas listed in the first five-year plan—namely to consolidate and restructure those "organizations responsible for managing the economy and the state," beginning with the party itself and the government. Consolidation of LPRP was brought about firstly through reconfirmation of the top leadership making up the Politburo of the party, and secondly through doubling the number of members in the Central Committee to provide representation for increasingly influential groups within the party—in particular for the military and for provincial administrations. Of the 22 new full and seven alternate members of the Central Committee, nine were army officers and seven were powerful provincial party secretaries.<sup>9</sup>

At the same time the Secretariat of the Central Committee was



enlarged and strengthened by the addition of three new members to the previous six, and a series of special committees were established to serve the Central Committee. These included the Central Organizational Committee, the Central Propaganda Committee, the Committee for Inspection of the Party and State, the Committee for Administration of the Party and State School for Political Theory, and the Committee for the Popularization of Party Policies.

A far more sweeping restructuring of the government followed from the Third Party Congress. On July 27, 1982, the Central Committee agreed on the appointment of members of the new government.<sup>10</sup> This functions on three levels. At the apex is an inner cabinet responsible for coordinating and applying party policy and making major government decisions. It is presided over by Kaysone as chairman of the Council of Ministers, and includes as vice-chairmen the four members of the Politburo holding government portfolios, along with the newly appointed president of the powerful State Planning Commission, Sali Vongkhamkao. Below these rank additional members of an "outer cabinet" of ministers and presidents of state committees with ministerial standing. They are designated either as full ministers (when they are concurrently full or alternate members of the LPRP Central Committee), or as being "in charge" of a ministry (when they are not on the Central Committee). The sole exception is the Minister of Justice Kou Souvannamethi, who has full ministerial rank but is all but inactive, since the dispensing of justice in LPRP seems to be the concern primarily of the Ministry of the Interior.

The number of ministries was increased to 14—namely Foreign Affairs; Defense; Finance; Interior; Agriculture, Irrigation and Agricultural Cooperatives; Education, Sport and Religion; Culture; Commerce; Industry, Handicrafts and Forestry; Materials and Supply; Construction; Transport and Communications; Public Health, and Justice. The five State Committees were named as dealing with Planning; Nationalities; The State Bank; The News Agency, Newspaper, Radio and Television, and Social and Veterans Affairs. Three newly appointed ministers were military officers, as were a number of vice-ministers.

A third level of government consists of about 65 vice-ministers, many of whom were appointed for their technical competence rather than for their revolutionary record during the "Thirty Years Struggle" from 1945 to 1975. A number of these vice-ministers were Western trained, mainly in France, and a handful held positions

under the former regime. The fact that these latter were given vice-ministerial responsibilities reflected the desperate need the regime had for technically trained personnel. It also signaled a degree of political liberalization that would have been unthinkable three years earlier.

As already noted, the expansion of the Party Central Committee and the restructuring of government ministries reflects an increase in influence both of provincial party leaders and of the military within the party and state government apparatus. Seven full members of the Central Committee are powerful secretaries of provincial Party Committees; two more, one an alternate member, represents the Vientiane People's Administrative Committee, responsible under a recent reorganization for administering an area far more extensive than the municipality of Vientiane, amounting in effect to the seventeenth province.

From the time of the seizure of power by the Pathet Lao in 1975, a surprising degree of provincial autonomy has existed in Laos. In part this derives from well-established regional loyalties dating back to the division of the unitary Lao state into three separate kingdoms at the end of the 18th century. In part it is due to geographical factors, to topographical divisions and to the lack of adequate means of transportation and communication. In part too, however, it reflects the existence of regional power bases that developed within the revolutionary movement during the "Thirty Years Struggle," and the determination of regional leaders to retain the power they had won. It is notable, too, that at the provincial level the representation of minority ethnic groups in positions of power (provincial party secretaries or chairmen of provincial administrative committees) is far greater than their representation on the Central Committee of the party or in government. Among the seven provincial representatives on the Central Committee, four are from minority ethnic groups. Nine of the sixteen provincial party secretaries are from ethnic minorities. Given the struggle minority groups have had in Laos to wrest some political power from the culturally dominant ethnic Lao, it is perhaps not surprising that members of minority groups who played important roles during the liberation struggle should resist any diminution of their authority.

What is remarkable in a socialist state is the extent to which *de facto* regional autonomy has been given official recognition and even encouragement in Laos. Given the lack of resources of the central government, it has been to make a virtue of necessity to stress the



need for regional self-sufficiency. But this has been extended not just to the production of food crops and other basic necessities; it also includes the financing and implementation of provincial development programs. Provinces draw up their own development programs for which provincial officials are responsible, not centrally appointed experts. Plans are coordinated by the Central Planning Commission, which attempts to find foreign donors (UNDP and other U.N. agencies, bilateral aid donors or, in the case of smaller projects, private aid agencies such as humanitarian and church groups). If central finance is not available, provinces can raise their own funds by entering into exports agreements with foreign companies or states—providing they have already met central government procurement targets. For example, a province producing coffee must meet a quota determined by the central government on the basis of its contract commitments (with socialist bloc states). Any production in excess of this quota the province is free to dispose of in any way it wishes—through trade with neighboring provinces in Vietnam or Kampuchea (or, in the case of northern provinces, with China, though this is not officially admitted) or by selling on the world market through private companies in Thailand, Singapore or Japan. Where convertible foreign currency is obtained the central government takes a percentage, and the rest goes to the province which can then purchase, usually through Thai or Japanese trading companies, any equipment or supplies required for its own development projects.<sup>11</sup>

#### PROVINCIAL INDEPENDENCE

This independent source of funding effectively reinforces the autonomy of provincial authorities vis-à-vis the central government. It also opens the way for interprovincial competition in marketing and for the possibility of corruption, neither of which is desirable. What is significant, therefore, is that over the course of the first five-year plan, provincial authority has not been reduced in any way. Rather it has been formalized and reinforced. In some cases provincial authorities even refuse to recognize the jurisdiction of the central government. For example, travel permits issued to foreign aid experts in Vientiane have not in the past automatically been accepted by provincial authorities who zealously guard their own prerogatives to decide who will be allowed to visit their province. Routinely now central government ministries must obtain provincial authorization before issuing travel permits. Nor do rules

and regulations which apply in Vientiane necessarily extend to the provinces. While it is perfectly acceptable for anyone to own a television set in Vientiane or in the provincial towns of Thakhek or Savannakhet for that matter and to watch Thai programs, this is strictly forbidden in Paksé. Anyone smuggling a television set into the Champassak province risks its confiscation and a term in prison.<sup>12</sup>

Paradoxically, however, the high degree of provincial autonomy presently obtaining in Laos actually reinforces the importance of LPRP as the only centrally structured and unifying organization in the country. All provincial party secretaries, not only those on the Central Committee, regularly fly to Vientiane for consultations and discussions. The broad guidelines of the party are put into effect throughout the country. Those who wield power in the provinces do so by virtue of the positions they hold in the party. Their loyalty is therefore to the party, and this in itself acts as an important counterbalance to excessive regionalism.

Such is not necessarily the case where the army is concerned. Under a reorganization announced early in 1985, the command structure in the army has been unified. Previously a dual command existed with authority shared between a military commander and a political officer. Under the new system, a single commander will be responsible both for military decisions and for political indoctrination. As a result, every officer will henceforth undergo intensive political training and every one will be a member of the party. In light of the increased representation of the army in the Party Central Committee and in government, the potential implications of this reorganization are considerable. It is too soon to be sure what the effects will be, but at the very least it is likely to strengthen the influence of the army within the party. Each officer must maintain a primary loyalty to the army as the basis for his career and promotional prospects, which will tend to produce a potential "bloc vote" by the army within the party.

The army can already count twelve representatives on the Central Committee of LPRP, not including former officers such as Phoun Sipaseuth likely to be sympathetic to the military. Five ministries are in the hands of army officers with two more, Foreign Affairs and Finance, headed by former generals. Not only is the Defense Ministry predictably entirely under the control of the army, but so too is the powerful Ministry of Interior with responsibility for the frontier police and political police. The Ministry of Interior is



headed by General Sisavath Keobounphanh, concurrently chief of the general staff of the Lao People's Army. The political police are run from the top story of the Ministry of Interior, an area for which the highest security clearance is necessary.

Not only is the army the recipient of large amounts of both Soviet and Vietnamese military assistance and of a considerable annual budget allocation, but as of early 1985 it has been given the right to raise its own foreign exchange through similar means to those available to provincial administrations. The army has been granted large and potentially very valuable timber concessions, particularly in central and southern Laos where extraction is not too difficult. It has set up its own timber exploitation and marketing organization which has the right to deal directly with foreign buyers. Funds raised will be used by the army to finance construction projects allotted to it under the second five-year plan to run from 1986 to 1990.<sup>13</sup> This extraordinary development can be seen both as a logical extension of the decentralization of economic management and as a reflection of the increased political power of the military.

The political decisions taken during and subsequent to the Third Party Congress on the restructuring of the party, the government and the army, on center-province relations and on economic policy have not been without internal dissension. This has manifested itself both in the form of a series of dramatic arrests, and in some cases the subsequent release and rehabilitation, of vice-ministers and lower ranking bureaucrats, and in the form of an upsurge of what can best be described as "clanism" within the party. Examination of these developments throws interesting light on the political culture of contemporary Laos.

In March 1983, the Vice-Minister of Agriculture, Irrigation and Agricultural Cooperatives Sitaheng Latsaphone and the Vice-President of the Committee for Social and Veterans Affairs Thongvan Phanlatsavong were arrested along with several dozen minor officials from these and other ministries. The arrests were made as a result of a series of allegations and charges of corruptions brought by other officials, notably on the State Planning Committee and in the Ministry of Finance—allegations which were never adequately investigated prior to the arrests. Those arrested were imprisoned at Sam Khe outside Vientiane. In September 1983, 43 men were brought to trial. Proceedings were brief; evidence was not critically examined, and no defense lawyers were permitted. Among the accused 32 including both officials of vice-ministerial rank were convicted

and given prison sentences. Ten were released.

#### INSULT TO SOVIETS

Also in March 1983, though for quite unrelated reasons, the Minister of Culture Sisana Sisane was relieved of his portfolio, allegedly for having been too vocally critical of a group of visiting Soviet entertainers. He did not, however, lose his place on the Central Committee of the party which he has continued regularly to attend and he has not been imprisoned. Instead he has been placed in nominal charge of affairs relating to Houa Phan province where he lives in a comfortable residence. The treatment of Sisana appears to be a Lao way of bowing to Soviet pressure, while making it clear that they consider it unjustified.

Early in 1984, two more officials of vice-ministerial rank, one from the State Planning Committee and the other from the Ministry of Construction, were arrested. Charges against the two men were never made public; however, the former, Latsamy Khamphoui, had been instrumental in denouncing officials arrested in the Ministry of Agriculture, while the latter, Sengkham Phinith, was openly critical of certain economic policies. In mid-1984, after a month-long investigation conducted by a "special appeals tribunal" into allegations that some of the evidence against those tried in September 1983 had been fabricated, both Sitaheng and Thongvan were released and restored to their former positions along with some other minor officials arrested with them. This was the first time the regime had been forced to admit it had wrongly arrested anyone and starkly illustrated its failure to institute any formal system of justice.

Yet another sequence of arrests followed the release of Sitaheng and Thongvan, culminating in November 1984 in the arrest of two more vice-ministers, Oudone Pholsena from the Ministry of Finance and Chanpeng Bounnaphon from the Ministry of Commerce, both on charges of corruption. Oudone was implicated in the purchase, as new, of a second-hand heavy road making plant from a Thai company. Charges against Chanpeng, however, were never made public and he was released in June 1985 presumably after allegations against him were found to be unsubstantiated.

The effect of this series of arrests and releases has been significant. It certainly contributed, though not substantially, to the greatly increased exodus of refugees to Thailand in 1984. It also all but paralyzed some ministries, notably Agriculture and Commerce with



serious effects on aid programs in the former and foreign trade in the latter. Timber procurement and marketing was particularly affected. In addition it had an impact on middle-level bureaucrats throughout government, as manifested in an even greater reluctance than previously existed to take even the most minor and technical decision without referring it to higher authorities.

More interesting than their effects, however, were the multiple dimensions of these so-called "purges." It seems likely that the first arrests of March 1983 reflected opposition on the part of some party members to the elevation to vice-ministerial status of persons such as Sitaheng and Thongvan who not only were not party members but had been associated with the former rightist administration. Another factor, involved in the arrests of both Sengkham and Latsamy, was their tendency to criticize government policy not just internally but even to foreign diplomats and U.N. officials. Criticism is permitted in Laos only within government ministries, in regularly conducted self-criticism seminars. In the case of Sengkham, his open criticism reportedly angered Kaysone himself, a possible reason for his continued imprisonment.

Personal antagonism and personality differences also apparently played a part in these arrests, as did power conflicts between individuals. Both Latsamy and Oudone were implicated in the fabrication of evidence brought to light by the review, leading to the subsequent release of Sitaheng and Thongvan. Latsamy was responsible for planning of agricultural projects and had come into conflict with Sitaheng and other officials in the Ministry of Agriculture over planning priorities.

All this is not to say that accusations of corruption against a number of officials were without foundation. Oudone for one would seem to be implicated over the "Caterpillar" purchase. His arrest, along with others, served as a specific warning to other officials to keep corruption within limits—"within limits" because a degree of corruption is so widespread now in LPRP that it can almost be said to be officially tolerated. The reasons for this and its implications will be discussed below.

A further dimension of these arrests, which is a cause for speculation in Vientiane, is the extent to which they reflect the relative strength of what can best be called "clans" within the party and government. Partly because of the lack of any due process of law in LPRP and partly because of deeply ingrained family loyalties and the expectation that family members and close friends will sup-

port each other whatever the rights and wrongs of a situation, there has developed a tendency in Laos for lower ranking officials to become identified as being part of the "clan" of supporters of a powerful "patron." Thus both Chanpeng and Oudone are believed to be protégés of the First Vice-President of the Council of Ministers and Politburo member Nouhak Phoumsavanh, between whom and the powerful President of the Planning Commission Sali Vongkhamhao there exists a long-standing antagonism. The fact that Chanpeng has been released, whereas Latsamy, a Sali protégé, remains in prison, is taken to indicate that Nouhak still wields considerable power and that Sali, though a rising star widely tipped to enter the Politburo at the Fourth Congress of LPRP scheduled for 1986, is yet unable or unwilling to press too hard to secure the release of "his" man.

Finally, but by no means least importantly, mention must be made of the ideological dimension of these arrests. This has two aspects: the underlying ideological differences between those who urge further economic liberalization and those who favor a more "orthodox" and rapid transition to socialism, and the ideological weapons used to attack opponents. That real and important ideological differences do exist within LPRP has been revealed by repeated references to the "struggle to resolve the problem of who is winning over whom between the two lines—socialism and capitalism." This struggle, according to Kaysone, "developed to a new phase in a fiercer and more uncompromising manner" in 1984.<sup>14</sup> However, successes during the first five-year plan proved that the "party line is correct and extremely creative." The general line of the party laid down by the Third Party Congress and subsequent resolutions of the Central Committee was thus endorsed, particularly as this concerned implementation of new management mechanisms aimed at increasing the efficiency of state enterprises.

Differences over the effectiveness and ideological purity of the new line do, however, remain. Debate within the party and government continues, fueled by the belief that any failings, any poor economic results are due not to erroneous policies (for the party line is always correct and has never changed),<sup>15</sup> but to the insidious scheme of unidentified "enemies" bent on sabotaging the country's development. The cleverest of these opponents are not agents of imperialism which has been soundly defeated (but for a few exiled "reactionaries" who cross from Thailand): They are the agents of Chinese hegemonism who attempt to undermine the party, govern-



ment and economy in order to drive a wedge between Laos and Vietnam. The fact that China has gone further than either Vietnam or the Soviet Union in liberalizing economic controls lays those within the party or government in Laos favoring similar policies open to charges of being "pro-Chinese." Such accusations were allegedly made against both Sengkham and Oudone during the campaigns mounted against them. It is an accusation that is particularly damning and almost impossible to refute. Even a technical error of judgment that results in difficulties in implementing some aid program can be seized upon by opponents as ideologically motivated "pro-Chinese" sabotage of the Lao economy. Self-criticism and reeducation at the very least are necessary to rectify such errors—or a term of imprisonment.

Even the release of a number of falsely accused officials provides no guarantee that others will not be accused of ideological crimes they may be completely unaware of, and given long sentences in prison or reeducation camps before their innocence is recognized. The fear of such accusations remains ever-present in LPRP. It influences all interaction and contact between Lao officials and non-socialist aid experts, diplomats, journalists or visiting academics. However, the liberalizing policies in force since the Seventh Resolution have had some effect. Contacts are less strained than five years ago. Buddhism and traditional Lao ceremonies are now officially condoned and even encouraged.<sup>16</sup> Pressures for a formal code of law are growing. A serious effort is at last being made to draft a constitution. It remains to be seen whether the process of liberalization will continue, but the balance of political forces should become evident at the forthcoming Fourth Party Congress. In the meantime, the political struggle between the two lines—dramatically but inaccurately defined as "toward socialism" or "toward capitalism"—will undoubtedly continue to be fought out within LPRP.

#### RESULTS OF THE FIRST FIVE-YEAR PLAN

The first six sections of this article have provided a brief survey of political and economic developments in the Lao People's Democratic Republic since 1975. Hereafter an attempt will be made just to sum up the economic and social effects of ten years of Communist rule in Laos, taking special note of the impact of continuing outflow of refugees, ethnic minority problems and internal security; and second to examine Laos' relations with other states, particularly the "special relationship" with Vietnam.

One of the priority tasks designated by Kaysone for 1985 was for each ministry to assess the results of the first five-year plan and to produce a report on overall achievements for the tenth anniversary of the regime. Some targets set for the five-year plan are said to have been met already, but such claims should be treated with skepticism. It is extremely doubtful, for example, that illiteracy has been abolished for all Lao between the ages of 15 to 45 as the government claims. Despite the real efforts made in the field of education, many remote villages inhabited by tribal minorities lack even an elementary school and standards everywhere are dishearteningly low. In 1985, a number of enterprises such as timber processing and agriculture effected by the arrests of officials in 1983 and 1984 are unlikely to meet specific targets. Overall, however, the gross targets of the plan will not be met despite government claims. The gross social product has not increased by 65 per cent nor has national income risen by anything like 38 per cent. Gross industrial production has not doubled. One of the major projects which it was hoped would raise industrial production, the 200,000 tons per annum cement works to have been constructed by the Soviets at Vang Vieng, has never got off the ground. Most of the factories built with Eastern bloc assistance have been small-scale affairs. Larger enterprises established before 1980 and often before 1975 have been functioning at well below capacity. Targets have also not been met in the area of communication and transportation. Much work still remains to be done of routes 9 and 13 linking Vientiane with the Vietnamese port of Da Nang. Maintenance of other roads has been poor and the state of roads in Vientiane itself is abysmal. Motorized transport has increased, but mostly in the urban areas, much less between provinces. Finally, there has not been anything like a 50 per cent increase in annual investment in infrastructure construction projects, even if all foreign aid commitments are included.<sup>17</sup>

The government can be guaranteed to put on a brave face for the tenth anniversary celebrations and to claim substantial achievements by the first five-year plan. But statistics in Laos should not be taken at face value and it is more instructive to ask why targets have not been met. Apart from the kind of general problems related to economic planning faced by all underdeveloped socialist states, such as problems of investment planning, poor quality control and lack of administrative flexibility, Laos suffers from a number of specific problems which include a lack of trained personnel, poor



motivation of workers, geographical and ethnic difficulties, and internal insecurity, each of which deserves brief consideration.

The lack of trained personnel in Laos is largely the result of the massive outflow of refugees. An unprecedented estimated 90 per cent of all trained and educated Lao have left the country since 1975. In part the loss is being made up by training workers, technicians and students in the Soviet Union and Eastern Europe (together about 700 per year) and in Vietnam (around 1,200 per year). But even many of these have subsequently crossed to Thailand. So extensive has been the outflow that it is almost impossible to find a bureaucrat or cadre in Laos of any standing in the party or government who does not have relatives settled abroad.

Some of the reasons why so many Lao have fled their country have already been discussed. Apart from the fear of arrest as a result of denunciation and abuse of arbitrary powers, continuing economic decline also convinced many Lao to seek a better life abroad for themselves and their children. By far the majority of the approximately 75,000 ethnic Lao and 27,000 members of tribal minorities who have left Laos since 1980 left not because of political persecution, but for economic and other reasons, including the "pull-factor," the "snowball factor" and Thai and U.S. refugee policies. The pull-factor operates through encouragement by those already settled in third countries of their relatives to join them. Glowing reports of life in America or Australia, photographs of new houses or cars, the remittance of an apparently ceaseless flow of money from abroad, all influence people to leave. So too does the snowball effect of seeing so many others leaving. So too do Voice of America broadcasts and ideologically motivated U.S. and Thai policies which treat *anyone* who leaves a Communist country as a political refugee.

In 1984, rumor was responsible for almost double the number of refugees reaching Thailand as in the previous two years combined. It was widely believed in Laos, without any basis in fact, that December 1984 would be the cutoff date for Lao arriving in Thailand to be accepted for settlement in third countries. Many Lao who had repeatedly put off leaving did so in 1984 for this reason alone. This new influx and the growing reluctance of third countries to continue indefinitely accepting Indo-Chinese refugees eventually convinced the Thai to institute a new policy to deal with Lao refugees. As of July 1, 1985, all those considered not to meet U.N. criteria as political refugees are to be returned to Laos as illegal

immigrants. The effect of this change was immediately dramatic. In July, numbers of Lao crossing to Thailand dropped from an average of 1,300 a month for the first six months to just 90, half of whom were due to be returned as illegal immigrants.<sup>18</sup> Thus the new Thai policy is likely at last to stanch the flow of Lao to Thailand. But the results of the outflow have already been catastrophic for the country, and must stand as a damning indictment of the insensitivity and arrogance of power demonstrated by the regime.

#### POOR WORK ATTITUDES

Another reason for the disappointing economic performance of LPRP is the poor work attitudes which are characteristic of most Lao workers and civil servants. These are due to a number of causes, some of which such as reluctance to take decisions or accept responsibility have already been mentioned. Such factors are endemic wherever rewards go only to the ideologically orthodox and intellectually unadventurous. Another factor has been miserably low government salaries which provide little incentive to work hard. Indeed, salaries are so low that without supplementing them by some means families can hardly survive.<sup>19</sup> As a result, whatever initiative or imagination a civil servant has is reserved for making enough over and above his salary to feed his family. Not only does this stimulate the private economy rather than the state sector, but it increases considerably the degree of petty corruption. Most Lao now routinely pay bribes to officials to obtain any kind of document or permit, or for performance of any service.

Geographical and ethnic factors have also retarded economic development in Laos. The country is very mountainous with no natural lines of north-south communication other than the Mekong river. Roads more often run east and west linking "sister" provinces in Laos and Vietnam. Resulting interprovincial trade reinforces regional autonomy and does little to assist integrated national development. Mountain regions in the east and north of the country are inhabited by ethnic minorities whose remote villages are difficult to reach and whose subsistence economy adds little or nothing to national development. Attempts by the government to restrict destructive slash-and-burn agriculture in order to conserve valuable forests has met with resistance from hilltribe people. Resettlement in lowland areas has proceeded slowly, where it has taken place at all, for the government well recognizes that the loyalty of the hilltribes is essential for internal security.



The problem of security, defense against the numerous unidentified "enemies" of the state, continues to be an obsessive concern of the regime. Every major speech stresses the need for constant vigilance in the face of the tricks and schemes of those intent on overthrowing the government or destroying the "militant solidarity" between Laos and Vietnam. The principal enemy singled out in government propaganda in China, but in fact the northern border has been generally peaceful. Traditional cross-border trade continues and there is even communication between local Lao and Chinese military authorities. This contrast with the tense Chinese-Vietnamese border is interpreted as a subtle Chinese scheme to divide Laos and Vietnam by trying to convince the Lao that China has no quarrel with their country, and that poor relations between them are entirely due to the Vietnamese.<sup>20</sup>

In the center and south of Laos and along the Thai border in the northwest, a few antigovernment insurgents are still active; but they are more of a nuisance to the regime than a threat to its existence. Transportation, and even some aid projects have been disrupted by insurgent activity, but most incidents are handled by local government militia without the need for assistance from the approximately 50,000 Vietnamese troops stationed in Laos. Officials insist that the southern border with Kampuchea is entirely peaceful, and that insurgent activity in Champassak province is very limited. Nevertheless, the threat of insurgency and constantly voiced official fears and calls for vigilance have created an atmosphere that has not been conducive to national development.

#### LAO FOREIGN RELATIONS

Finally, mention must be made of Lao foreign relations. Over the last ten years, Laos has experienced most difficulty in its relations with Thailand. Though bilateral trade has decreased significantly, Laos is still dependent on Thailand for many consumer goods and for transit rights for much of its foreign trade. Thai closure of the border immediately creates shortages and adds to inflation in Laos. At present Thailand designates 273 items as "strategic" requiring special authorization for shipment or sale to Laos. These include such things as medicines, bicycles and needles and thread. Much needed asphalt for Vientiane's roads has been held up by the Thai on the grounds that it might be used for the construction of military airstrips. Such intransigence infuriates the Lao. Of far greater concern, however, has been the long running dispute (since April

1984) over the temporary occupation by the Thai army of three border villages in Laos' Sayaboury province. As of August 1985, the Lao claimed Thai militia still occupied a ridge of Lao territory. The whole incident has been officially interpreted by Laos as an example of Thai expansionism, though at the same time the Lao have expressed their desire to normalize relations with Thailand in full recognition that good relations between the two states are in their national interest.<sup>21</sup>

Lao officials frequently emphasize that the country's foreign policy is to be friends with everyone, that Laos wants no enemies. Interestingly, what such a policy entails is a degree of neutrality that harks back to the stated foreign policy of the Third Coalition Government. The Lao recognize their need to tap all available sources of foreign aid. For this reason, Laos is a member of the Asian Development Bank and the International Monetary Fund. For this reason, too, relations with the United States are being actively improved, through Lao cooperation in tracing missing American airmen shot down over Laos. Friendly relations with other capitalist countries have been developed particularly with Sweden, Australia and Japan. Good relations also exist between Laos and the states of the Association of Southeast Asian Nations (ASEAN) other than Thailand.

Relations between Laos and the Soviet Union and the countries of Eastern Europe are expressed in glowing terms. Together these states provide more than 50 per cent of all foreign aid to Laos. Hundreds of advisers (both economic and military), technicians and experts, staff aid programs in Laos, most of which concentrate on agricultural extension and processing and light industry. Soviet experts run the satellite communications station, the radio station and the meteorology service. Six Soviet advisers are permanently attached to the State Planning Commission. Major Soviet projects include construction of the Polytechnic University (running behind schedule) and a model 150 bed hospital in Vientiane. Soviet expertise (and Vietnamese labor) is also responsible for construction of routes 9 and 13 linking Da Nang and Vientiane and for a new underground oil pipeline from the Vietnamese port of Vinh to Thakhek.

It is, however, the "special relationship" with Vietnam which is most influential in shaping Lao foreign policy—particularly relations with China and, to a somewhat lesser extent, with Thailand. As a result, despite Chinese willingness to improve relations, these



remain on an official level coldly formal—even though, as noted above and as freely admitted by Lao authorities, the border between the two states is peaceful. By contrast relations with Vietnam are extolled in the warmest possible terms. Vietnam provides considerable amounts of economic assistance to Laos particularly in the form of technical training, expert advice, infrastructure construction projects (often by army engineering units), and in development of primary resources (potassium and gypsum mines, exploitation of forests, irrigation, etc.). In addition, Vietnam provides military assistance and training for the Lao People's Army as well as stationing troops in Laos.

Taken overall the massive Vietnamese presence in Laos under the terms of the 1977 Twenty-Five Year Treaty of Friendship and Cooperation between the two countries ensures for Vietnam a preponderant influence in Lao affairs. This is not, however, exercised as some commentators have claimed in the form of a colonial or neocolonial control of all aspects of the Lao government and economy. Vietnamese experts attached to Lao ministries fulfill the same role as do the experts of other countries: They give advice which they hope will be acted upon, but they do not determine policy or direct Lao officials in the performance of their duties. In fact, Vietnamese (and Soviet) experts can become just as exasperated by Lao inefficiency and relaxed attitudes to work as any other experts, and can do little or nothing about it. But even though Vietnamese influence over Lao affairs has limitations, ultimate Vietnamese political control is not in doubt. This is exercised, however, not in an overt fashion but through two channels—LPRP and the army. In other words, Vietnamese influence is not exercised on a daily basis, but as an ultimate sanction which the Lao are fully aware of, it can always be applied should occasion warrant it.

This is not to say that Lao decisions are always taken in Vietnamese interests. A close relationship exists between the revolutionary elites of Vietnam and Laos, forged by thirty years of war and mutual assistance. Frequent contact ensures a continuing similarity of perceptions of common problems, both of economic development and of the security of their respective regimes. Thus similar decisions tend to be taken for similar reasons without specific instructions being given or followed. That said, the fact remains that should any group within LPRP attempt to adopt policies conflicting with Vietnamese interests, particularly in the areas of national security and foreign affairs, so great is Vietnamese influence, so

close the contact with so many Lao cadres, that dissidents could quickly be singled out, branded as anti-Vietnamese (accused of being pro-Chinese), and dealt with accordingly. Should indirect political pressure within LPRP prove ineffective, the Vietnamese could always fall back on the Lao People's Army where their influence is overwhelming. Either military cadres could act within the party to "neutralize" any anti-Vietnamese moves, or the army could carry out arrests (through its control of the Ministry of Interior or directly). Finally, there is always the presence of 50,000 Vietnamese troops in Laos, some of whom are based in close proximity to most major urban centers. The reality of these Vietnamese options is evident to all Lao cadres. No one voices opinions which could be condemned as pro-Chinese for fear of being sent for reeducation to Vieng Say or Vietnam. All senior party and government officials spend six months to a year undergoing political education in Vietnam. Without this, it is well known, one's career is unlikely to prosper. The importance of the "special relationship" is thus driven home to every Lao. It is not taken lightly and it is not opposed—for the simple reason that the Vietnamese retain the means to destroy the career of anyone who might be tempted to do so.

This article has attempted to provide an overview of political and economic developments in Laos during the first ten years of Communist government. For reasons outlined above, economic development has been disappointing. The standard of living, though somewhat higher today than five years ago, is still abysmally low. Party leaders have been singularly ineffective in imbuing most of their countrymen with a vision of national progress and individual effort. The sole concern of most Lao remains what it has always been—to operate within the existing system to the benefit of themselves and their families. There is little evidence, in other words, of the new Lao socialist man that the regime set out to create. In fact, in certain significant ways the present economic and political situation in Laos shares similarities with that of the former regime. The country is as completely dependent now on Soviet aid as it was previously on American aid. Whereas the United States bought the allegiance of a selfish power elite by providing them with opportunities for the corrupt accumulation of wealth, the Soviets and Vietnamese have bought the allegiance of an equally small and exclusive elite by guaranteeing them a monopoly of power—a monopoly which operates not through possession of wealth but through such factors as control of information, fear of accusation of ideo-



logical unorthodoxy and threat of arbitrary arrest. For the peasant farmers and tribal minorities of Laos little has really changed. Their lives still follow the pattern of the seasons; their economies remain at the subsistence level, and their traditional ways and customs have proved remarkably resistant to change. This, however, may well constitute not simply cause for despair but also cause for hope over the future of Laos—providing always that the present regime takes seriously its own proclaimed belief in the self-mastery of the masses.

#### NOTES

<sup>1</sup> The first two coalitions were formed in 1957–1959 and in 1962–1963. For an analysis of tactics used during the Thirty Years Struggle, see MacAlister Brown, "The Communist Seizure of Power in Laos" in Martin Stuart-Fox, ed., *Contemporary Laos: Studies in the Politics and Society of the Lao People's Democratic Republic* (St. Lucia: Queensland University Press, 1982), pp. 17–38.

<sup>2</sup> Literally "Land of the Laos," the name by which the Communist movement in Laos has consistently been known in the West.

<sup>3</sup> For an examination of the effects of Pathet Lao policies from 1975 to 1980, see Martin Stuart-Fox, "Reflections on the Lao Revolution," *Contemporary Southeast Asia*, 3, 1982, pp. 41–57.

<sup>4</sup> The United Nations High Commissioner for Refugees (UNHCR; Thailand), "Refugees and Displaced Persons from Indochina: In UNHCR-assisted Camps in Thailand (as of June 30, 1985)." (Roneoed fact sheet.)

<sup>5</sup> For a study of this cooperativization program, see Martin Stuart-Fox, "The Initial Failure of Agricultural Cooperativization in Laos," *Asia Quarterly*, No. 4, 1980, pp. 273–299.

<sup>6</sup> An English translation of the Seventh Resolution can be found in *Foreign Broadcasts Information Service: Asia and Pacific, Daily Report* (hereafter cited as *FBIS: AP*), January 18 and February 8, 1980.

<sup>7</sup> The first five-year plan was incorporated in the Eighth Resolution of the Supreme People's Assembly. For the English text, see *FBIS: AP*, January 26 and February 2 and 13, 1981. For an analysis of the first five-year plan, see Martin Stuart-Fox, "Laos in 1981: Economic Prospects and Problems" in *Southeast Asia Affairs 1982* (Singapore: Institute of Southeast Asian Studies, 1982), pp. 229–242.

<sup>8</sup> Published in French in *Khaosan Pathet Lao, Bulletin Quotidien*, November 29 and December 1 and 2, 1980. An English translation appeared in *Asian Almanac*, 19, No. 11, March 21, 1981, pp. 10563–10564.

<sup>9</sup> See *Indochina Chronology*, 3, No. 4, October–December 1984, pp. 12–13.

<sup>10</sup> Appointments were included in an internal party document signed by Kaysone, dated August 5, 1982. They followed the resolution of the Supreme People's Assembly of July 20, 1982, establishing the new governmental structure.

<sup>11</sup> Interview with Dr. Somphavanh Intavong, vice-president of the Commission for Planning, Vientiane, August 14, 1985.

<sup>12</sup> Interview with Bouabane Vorakhoun, vice-president of the Commission for News Agency, Newspaper, Radio and Television, Vientiane, August 5, 1985.

<sup>13</sup> Interview with Col. Thonglay Khommasith, spokesman for the Ministry of Defense, Vientiane, August 9, 1985.

<sup>14</sup> Kaysone Phomvihane's speech to the Supreme People's Assembly, January 24, 1985 (*FBIS: AP*, January 29, 1985).

<sup>15</sup> According to Phoumi Vongvichit, member of the LPRP Politburo and vice-chairman of the Council of Ministers, in an interview in Vientiane, August 13, 1985.

<sup>16</sup> The ban preventing LPRP members entering the Buddhist Sangha has been lifted to the extent that a cadre may enter the Sangha for one day in order to participate in funeral ceremonies for a parent.

<sup>17</sup> No government official in Laos is likely to admit that major plan targets have not been met, but this is evident from the series of classified reports prepared for the International Monetary Fund (IMF). Cf. *Lao People's Democratic Republic—Recent Economic Developments*, SM/84/38, February 3, 1984. Table 1 shows a growth in gross agricultural and industrial production of virtually nil for the three years 1981–1983. Even if the economic "rebound" experienced in 1984 continues in 1985, plan targets will not be met. See also IMF, *Staff Report for the 1984 Article Consultation*, January 1985.

<sup>18</sup> These are UNHCR figures contained in "Refugees and Displaced Persons from Indochina: In UNHCR-assisted Camps in Thailand (as of June 30, 1985)."

<sup>19</sup> The salary for a middle ranking civil servant is around 6,000 to 7,000 kips a month, of which only ten per cent is paid in cash—a sum amounting to about U.S.\$2 per month at free market exchange rates. The balance of the salary is credited to an account which can be drawn upon only for the purchase of a small number of subsidized items at government shops—when these are available. Accumulated savings can eventually be used to purchase larger items such as fans, sewing machines, bicycles or refrigerators through the state trading company.

<sup>20</sup> Interview with Col. Thonglay, Vientiane, August 9, 1985.

<sup>21</sup> Lao concern over the three villages and desire to improve relations with Thailand were expressed time and again in interviews in Vientiane particularly with Col. Thonglay, Phoumi Vongvichit and Vice-Minister of Foreign Affairs Soulivong Phasithideth, August 14, 1985.