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LOAS: The First Lao Five Year Plan

Early in 1978 Laos embarked upon an interim three-year plan to run to the end of 1980. This was in order to bring planning into line with that of member states of the Council for Mutual Economic Assistance (COMECON), particularly with the Socialist Republic of Vietnam, by 1981. On 6 January 1981, Lao Prime Minister and Secretary General of the Lao People's Revolutionary Party (LPRP), Kaysone Phomvihane, outlined Laos' first five Year Plan in a speech to the Supreme People's Assembly.¹ This document, now known as the Eighth Resolution of the Central Committee of the LPRP, together with Ordinance number 408 of the Council of Ministers of the Lao Peoples' Democratic Republic (LPDR), issued on 28 November 1980,² giving target figures for the plan, states clearly the economic priorities and goals of the Lao government for the first half of the 1980s.

After detailing achievements of the first five years in power of the LPDR, Kaysone listed a number of lessons that had been learned, and which would have to be applied in implementing the first Five Year Plan. These included that Party cadres and the entire people had to fully absorb and understand the action plan of the Party for the socialist construction of the country; that all work had to be organized according to revolutionary socialist principles; that the internal unity of the whole population had to be promoted; and that international solidarity with friendly socialist countries had to be increased in order to obtain necessary economic and financial assistance.

Turning to the five-year plan, Kaysone announced its two fundamental objectives as: first, to "normalize the material and cultural life of the people of all nationalities"; and second, to "concentrate on building those enterprises which are strategically important to (the Lao) economy and national defense, with the aim of gradually and firmly building material and technical bases for the national economy." Success of the Plan is to be guaranteed by setting up "an efficient system of economic apparatuses", together with a "system of balanced and profitable management", and through the "utilization of marketing relations and economic levers." These, it is hoped, will have the effect of transforming the national economy into a planned socialist economy. Other important factors mentioned were the need for national unity (especially in the light of continuing Chinese and Lao exile attempts to exploit ethnic differences in undermining the present Lao regime), and increased cooperation between the states of Indochina, and with the Soviet bloc. Thus pursuance of the three revolutions in Laos (in modes of production, science and technology, and culture and ideology) is considered to be dependent upon the strengthening of international (socialist) solidarity.

Particularly interesting in the Lao context is the emphasis Kaysone gave to the rights and duties of state enterprises in contributing to the success of the plan. Once planning in terms of capital investment and production goals is approved, managers of state enterprises are free to determine labour requirements, wage increments, marketing and pricing policies (and thus profit margins), and even reinvestment levels. This decentralization of authority and decision making is to be extended into all areas of the economy: managers and technicians will be freed of much present political control. As Kaysone

put it: "administrative organizations such as ministries...shall not directly interfere in production management work and the business of an enterprise".

Turning to specifics, the plan places its first priority upon increasing agricultural and forestry production. The interim three year plan had as its major goal the increase of production of food crops to the point where Laos would be self-sufficient. But Kaysone admitted that this had not been achieved: Laos still has to import food³--despite the fact that almost ten percent of the population has fled the country. The goal for total agricultural production has been set at an increase of 23 to 24 percent over the 1980 figure by 1985. This would comprise not only basic crops, such as various varieties of rice (to increase by 20 percent) and maize (up 60 percent), but would include increased production of industrial crops such as tobacco (89 percent), soya beans and peanuts (both up 60 percent), and coffee (to increase by 53.8 percent). Much of this increase the government hopes to export. Article 9 of the ordinance of the Council of Ministers calls upon the Ministry of Agriculture, Forestry and Irrigation, in conjunction with the Ministry of Industry and Commerce, to draw up plans in order to guarantee agricultural production destined for export markets "in the framework of different agreements and contracts already entered into." What these agreements are has never been made public, but presumably they are in payment for aid received, primarily from the Soviet Union and Vietnam. Exports to the Soviet Union were due to commence in 1981.

No specific figures were given for increases in the exploitation of forest products, though the export of timber, together with electricity from Nam Ngum dam, constitute Laos' major sources of foreign exchange.⁴ Increases were also called for in the area of land under irrigation, and in the clearing of new land. Animal husbandry was to be improved with a view to increasing the numbers of buffalo, cattle, pigs and poultry. Here, however, while numbers of livestock on state farms and cooperatives are to be built up, emphasis will be placed upon family production.

Turning to industry, Kaysone admitted that while production in 1980 showed some improvement over 1977, this increase was not rapid enough.⁵ The aim is to double production or more by 1985, with the emphasis being placed upon producing agricultural implements and machinery and building materials for construction (cement, timber processing, etc.). Production and use of electricity is to be stepped up, as is mineral exploration with a view to commercial mining.

Another priority area will be transportation and communication. It is hoped to increase distribution of consumer goods between 1.7 and 1.8 times over the five year period. This will be achieved by increasing the transportation of goods by between 80 and 85 percent. Passenger transport, principally on the State owned bus line, will go up more than 55 percent. To permit these improvements 814 kms of roads will be constructed or upgraded, especially routes 9 and 13, the former running from Danang and Khe Sanh in Vietnam to Sepone and Savannakhet in Laos,⁶ and the latter following the Mekong north from Pakse in the

far south to Luang Prabang. Hopefully this would permit the Laos government to circumvent Thai closure of the frontier with Laos, an act which over the past five years has more than once played havoc with the Lao economy by cutting the vital commodity barter trade, thus forcing up the price of consumer goods.

Total investment in infrastructure construction works is estimated to increase by between 47 and 50 percent in 1985 over 1980. As a result of overall economic development, state employment of workers and civil servants is expected to rise 40 to 45 percent, while the state wages bill will go up two and a half times. There will also be an estimated 15 percent increase in expenditure on consumption. The plan will be financed by a 38 to 40 percent increase in the collection of taxes and duties within the country, with the balance presumably to come from foreign aid.

During 1981, the Ministry of Finance has the task of drawing up new budgetary regulations, and putting forward new laws covering customs and excise. In addition, over the period from 1981 to 1983 a new system of monetary transactions is to be introduced to facilitate financial management of state enterprises, cooperatives, etc., via the National Bank. Accounting procedures are also to be tightened up and improved. Monetary stability is to be ensured through the joint efforts of the Planning Commission, Finance Ministry and National Bank. Foreign Aid and overseas borrowing are to be carefully coordinated with the national budget. The nett result, through "the vigorous application of a regime of austerity", will hopefully be to invigorate the "active dynamism of the nation" and improve Laos' woefully low living standards.

Three other aspects of the five year plan require mention: education, culture, and public health. Education is to be made accessible to all, with the aim of abolishing illiteracy (for age groups from 15 to 45) by 1985. The number of children in kindergartens is to increase some four fold, while primary school enrollment is to rise some 40 percent to a figure of around 635,000 children. But the emphasis will be upon training cadres and technicians to take the place of thousands of refugees who have left the country. University enrollment abroad will rise 26 percent. In addition a polytechnic university is to be constructed in Vientiane, probably in 1983 or 1984. Technical education is to go up almost 60 percent, with a new category of "professional secondary schools" catering for an increase of 74 percent. Kaysone stressed the importance the Party attaches to education in building a socialist society in Laos, especially mentioning the need to improve the educational standard of Party officials and cadres.

Under the heading of culture Kaysone mentioned the construction of a 150 kw radio transmitter with the help of the Soviet Union, and the introduction of television. A national museum was opened in time for the celebrations marking the fifth anniversary of the founding of the LPDR on 2nd December 1980. In

addition, a national theatre, circus, library, and exhibition hall are built, as well as cultural centres in the provinces. Printing capacity is to be argumented and improved, especially for school text books, newspapers and magazines, most of which are at present printed in Vietnam. Tourism is to be encouraged as a source of foreign currency by restoring and beautifying historic sites.

Sanitation and hygiene will receive primary emphasis in the field of public health, but the number of hospital beds is to be increased 32 percent to a total of 13,000. The number of doctors and medical assistants is to be increased three times, and the level of competence of new medical personnel will be improved.

Almost all targets for the five year plan have been given in terms of percentage increases over 1980, production figures for which are not available. It is thus difficult to assess the likelihood that goals will be met. In the case of the three year plan almost all targets proved over-optimistic, but there are indications that the five year goals are modest. In agriculture, total production of all food crops is said to have exceeded one million tons for the first time ever in 1980.⁷

Even so a 20 percent increase does not seem over ambitious, given increased irrigation and ready availability of land. Industrial production in 1980 appears to have still fallen below that under the previous regime. Given this low base figure, therefore, a doubling of production in five years seems not an impossible task. Also working in favour of the success of the plan is the recognition accorded by the government to continued need for private enterprise in economic development. Article one of Ordinance 408 specifically bases the five year plan on the Party's Seventh Resolution of December 1979.⁸ This accepted the transitional nature of the Lao economy and defined five sectors (subsistence, private, mixed, cooperative and state), all of which contribute to the welfare of the state and people, and all of which deserve active encouragement. Laos seems set, therefore, on a pragmatic course of economic development which, providing international pressures permit, should bring it modest but real economic advances by 1985.

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FOOTNOTES

1. Published in full in the Party newspaper **Sieng Pasason**, 14 January 1981. Translated in Foreign Broadcasts Information Service 26 January, and 2 and 13 February 1981 from a broadcast over Radio Vientiane on 16 and 17 January 1981.
2. Translation in **Khaosan Pathet Lao**, Bulletin Quotidien, 29 November, and 1 and 2 December 1980. All Figures and quotations are from this ordinance or the Eighth Resolution.
3. Rice deficits during these years were estimated at a minimum of 240,000 tons in 1978, 160,000 in 1979, and 60,000 in 1980. However the government only imported 150,000 tons in 1978, and planned to import 80,000 tons in 1979. Rice rations therefore had to be reduced, and food supplies made up with maize and root crops. Asian Development Bank, **Economic Report of Lao People's Democratic Republic**, Restricted Report No. LAO: Ec-4, May 1980, pp. 46-51, and appendix 22, pp. 98-99. Put another way, however, rice deficits declined from 19 percent of domestic production to an (estimated) 11 percent over the period of the three year plan from 1978 to 1980. International Monetary Fund, **Lao People's Democratic Republic - Recent Economic Developments** SM/80/174, 22 July 1980, p. 4.
4. Timber exports netted US \$8.5 million in 1979, with electricity bringing in \$6.1 million. Coffee brought in \$4.1 million, and the barter trade was estimated to have amounted to \$16 million in exports. **IMF Report**, p. iv.
5. Production is still well below 1974 figures in almost all sectors of industry, with installed plant producing at well under capacity. Although production has now picked up considerably, in 1977 wood processing amounted to less than 10 percent of 1974 figures. **ADB Report**, p. 58.
6. An oil pipeline is to be completed following much the same route.
7. Embassy of the LPDR, Canberra, **Premier Kaysone Phomvihane's Speech at the Grand Rally Marking 5th Founding Anniversary of the Lao People's Democratic Republic**, News Release, 6 January 1980, p. 4.
8. Kaysone Phomvihane, Speech to the Supreme People's Assembly, 26 December 1979, broadcast over Radio Vientiane, 27 December 1979 (translated by Foreign Broadcasts Information Service, 18 January 1980, and special supplement, 8 February 1980).