



BLAIR SEITZ, CAMERA PRESS

*'Spirit of 2nd December'*—National Day 1980, before Lao leaders adopted more cautious targets.

## LAO REPUBLIC'S FIRST DECADE

# Taking stock of the revolution

Since 1975, Laos has had a socialist government. **Martin Stuart-Fox** examines the hesitant start, when collectivization, the restriction of private trade, and the flight of many educated Lao threatened the economy, and gauges the success of the more 'liberal' social and economic policies of the last five years.

**D**ECEMBER 1985 marked the first decade in power of the Lao People's Revolutionary Party (LPRP). On 2 December 1975, the Kingdom of Laos was replaced by the Lao People's Democratic Republic (LPDR). December 1985 also marked the completion of the country's first five-year plan. It was doubly an occasion, therefore, for the leaders of the Lao revolution to take stock of what had been achieved, and to plan the direction for the future.

The anniversary was celebrated with much fanfare at a dawn parade in front of the That Luang, the nation's most venerated Buddhist monument and ancient symbol of the Lao state. Preparations had been in progress in Vientiane for months in advance. Streets had been repaired, buildings painted, and grass cut by communal work groups. Buddhist monks had beautified their monasteries and planted flowers along the streets outside.

For months, too, ministries had been hurriedly attempting to fulfil targets for the last year of the first five-year plan, and to draw up reports on the progress made over the full ten-year period. This was in line with the

goals for 1985 set by the LPRP Secretary-General, Prime Minister Kaysone Phomvihan: to 'speed up a comprehensive review of major tasks over the past ten years and to examine various foundations [for the future], such as the population census, the adoption of a plan to build the contingent of cadres, the establishment of the Constitution and legal system, the adoption of the second five-year state plan, and effective preparations for the convening of the Fourth Party Congress'.

From its own point of view, the regime had much to celebrate. It had, with Vietnamese military assistance, effectively controlled threats to its internal security from Lao exile groups operating from within Thailand and southern China. It had increased agricultural production to the point of national self-sufficiency in food grains and crops. It had increased its revenue from the export of timber and hydroelectricity. Health care and education had been extended, and adult illiteracy between the ages of 15 and 45, it claimed, had been entirely eliminated. Above all, however, the regime had succeeded in unifying the country for the first time in thirty

years, and in proceeding towards an integrated Lao state.

The path of progress, however, has not been entirely smooth, and the regime has tacitly admitted that some serious errors were made. For example, during 1976 and 1977 the LPRP introduced a series of measures aimed at the rapid socialist transformation of the Lao economy and society. These included harsh controls on private commerce (what could be sold, by whom, and at what price), the distribution of goods, and the provision of services. A whole range of new taxes were introduced, including notably a progressive tax on rice, which had the effect of discouraging production above levels of personal consumption. Individual freedoms of speech, movement, and association were seriously limited. Early in 1976, a campaign of cultural and ideological rectification attempted to stamp out all vestiges of decadent Western influence. Even traditional Buddhist rites and ceremonies were discouraged as superstitious and economically wasteful.

### Disastrous for economy

The effect of these measures was disastrous for the Lao economy. In the countryside agricultural production plummeted, partly as a result of poor climatic conditions, but also because peasants were unwilling to sell rice to the government at artificially low rates. Supplies of food to the towns virtually dried up, and the government had to import rice.



*Monks at work: Sangha and state have reached a modus vivendi.*

A concerted attempt to cooperativize agriculture in 1978 met with such stiff peasant resistance that the programme was abandoned a year later.

In the urban areas, the effects were equally serious. Commerce declined dramatically. Industry, often dependent on no longer available imported materials, virtually ceased production, and unemployment increased. A climate of fear and suspicion prevailed. Not only had thousands of former rightist army police officers and civil servants—sent by the new regime to undergo political re-education in the north of the country—not been released as promised, but others who had worked for the Royal Lao government continued to be arrested on the basis of anonymous denunciations. Drug addicts and prostitutes, and even youths with long hair or American jeans, were rounded up and sent off to rehabilitation centres. As a result, anyone who feared arrest for any reason joined the ever-increasing flow of refugees to Thailand. It was not only bourgeois 'enemies of the state' who crossed the Mekong; many lower ranking civil servants and technicians who had been prepared to work with the new regime, and whose skills the new republic could ill afford to lose, also left.

Up to mid-1985, over 300,000 people, 10% of the total population, left Laos. Of these, some 115,000 were tribal people—mostly Hmong, whose menfolk had fought in the CIA-funded 'Secret Army' against the Pathet Lao. Almost 195,000 were lowland Lao (including ethnic Chinese and Vietnamese resident in Laos). More significantly, the exodus included as many as 90% of all educated Lao. The country lost almost all its doctors, engineers, technicians, managers, secondary school teachers, and senior civil servants. So serious was the loss that in 1980 the government rehabilitated or brought back

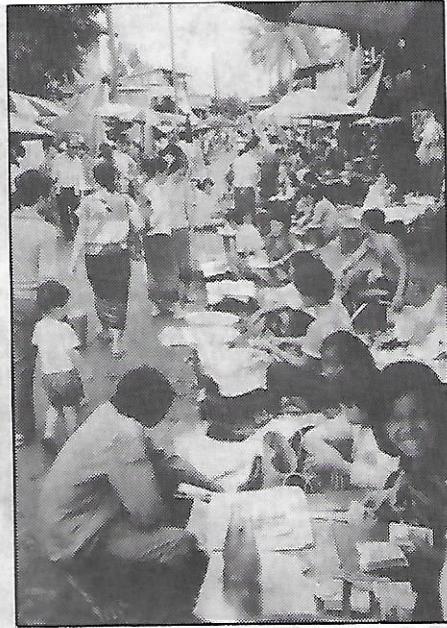
from re-education camps a number of former civil servants and technicians, and gave them responsible positions in the administration. After the Third Party Congress in April 1982, several of these were raised to vice-ministerial rank, despite the fact that hardly any of them were, or are, members of the LPRP.

#### Key resolution

In part, this change of policy towards former enemies was a matter of necessity, but it followed naturally from the more liberal economic and social policy changes announced at the end of 1979. These were incorporated in a key document known as the Seventh Resolution of the Supreme People's Assembly. In effect, the Seventh Resolution admitted that the Party had made mistakes, that the attempted socialist transformation had not taken account of Lao conditions, and that a new approach was necessary. The LPRP justified its change of direction by reference to Lenin's New Economic Policy in Russia in the 1920s.

The Seventh Resolution recognized that five forms of economic organization and control over the means of production existed side by side in Laos, and that the economic health of the country required that all five be encouraged and stimulated. The five are: the individual economy of private production for personal gain (often at a subsistence level only); the collective economy (where agricultural cooperatives continued to operate); the state economy (state farms and industrial and commercial enterprises); the capitalist economy (private enterprises operating within limits set by the state); and the state-capitalist economy of joint enterprises.

To stimulate all sectors of the economy, private investment and commerce were liberalized, controls over prices lifted, and



*Going for a quick kip?*

lower agricultural taxes were introduced as an incentive for increased production. At the same time economic management of state enterprises was decentralized, and profitability taken as the measure of efficiency. The currency was devalued, state subsidies were reduced, and salary levels increased. Within a year it was evident that changes were having the desired effect. By the time the regime celebrated its first five years in power, rice production had reached one million tonnes of paddy and the markets of Vientiane had something to sell again.

When the nation's first five-year plan was inaugurated (but never published) in 1981, it was made clear that the broad principles enshrined in the Seventh Resolution would continue to apply. Seven priority goals were listed for achievement during the five-year plan.

The first priority was to increase agricultural production. This included not only rice production, but also that of other food crops and industrial crops such as tobacco and cotton, and forestry production. Annual consumption of rice and 'other starchy foodstuffs' was targeted to rise to 350 kg per person, which the government claims has been achieved. According to official figures, annual rice production has risen to 1.3 million tonnes, which, after deduction of seed and husking, would give around 700,000 tonnes of cleaned rice—a significant increase over the five-year period. Other crops do not appear to have performed as well, and there have been serious problems with the timber industry, due to inefficient marketing and suspected corrupt practices.

#### Strategic industries

On the industrial side, the five-year plan set out to build 'strategically important enterprises' and to consolidate the existing state



*'Agricultural collectivization' merely extended neighbourly co-operation to a village level.*

MARTIN STUART-FOX

enterprises. Here it is hard to obtain facts and figures. Production of hydroelectricity accounts for as much as 85% of export earnings in convertible currency (US \$24 million in 1984), all of which is sold to Thailand. Other state enterprises are less efficient. Difficulties have been encountered in agricultural processing and in timber processing (plywood and furniture factories), almost all of which function at below capacity.

Industry has also suffered from a failure to achieve desired goals in another priority area—that of training economic managers and technicians. Despite official claims that more than 40,000 'economic management, scientific and technical cadres' have been trained, including over 5,000 at the tertiary level, Laos still suffers from a serious lack of trained cadres—especially in management. Most of those educated abroad in socialist bloc countries study technical subjects, and they are in any case too young when they return to be given management responsibilities. Another problem concerns decision-making. Even the attempted introduction of decentralized management has not overcome the reluctance of most state employees to take decisions that could lay them open to ideological criticism leading to political re-education.

In the area of infrastructural development progress has also been slow. Work has still not been completed on the vital Route 9, from the Vietnamese port of Danang to the Lao town of Savannakhet on the Mekong. Route 13, running for 1,300 km from the south of Laos to Luang Prabang, has been upgraded but still needs the completion of one more major bridge, that over the Nam Cading river. Telephone and telegraph communications have been improved, but, like the transportation system, are vulnerable to guerrilla sabotage.

Other priorities of the five-year plan were

the acquiring and utilizing of foreign economic assistance, and the abolition of illiteracy. The former has now been effectively accomplished. Laos obtains all the economic aid that the country can utilize (some US \$80 million a year), most of it from the Soviet Union and Vietnam, but also some from Sweden, Japan, UN agencies, and the World Bank and Asian Development Bank. As for illiteracy, the claims that even minority populations who do not speak Lao are now literate in the national language cannot be taken seriously. Great strides have been made in adult education, but not to the point of abolishing illiteracy entirely.

Another, though lower, priority of the plan was to consolidate and restructure 'organizations which manage the economy and the state'. This was carried out at the Third Party Congress of the LPRP in April 1982. The Central Committee was more than doubled then to bring in new representatives, especially from the army and provincial administrations. Also, the government structure was changed to a three-tiered system, consisting of an inner cabinet of vice-chairmen of the Council of Ministers, all but one also members of the Politburo; an outer cabinet of ministers; and a large number (about 70) of newly-appointed vice-ministers. The number of ministries and commissions was also increased from 15 to 19.

### Struggle between two lines

The slow pace of socialist transformation evident during the first five-year plan has not been without its critics. This was revealed by Kaysone in his speech to the Supreme People's Assembly in January 1985, when he referred 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 place in a fiercer and more uncompromising manner' in 1984. At the same time, however, Kaysone stated that successes achieved during the first five-year plan proved that 'the party line is correct and extremely creative'—which left observers wondering where Kaysone himself stood.

The 'struggle between the two lines' seems to have been partly responsible for the series of arrests—and in some cases subsequent releases and rehabilitation—of vice ministers between 1983 and 1985. No fewer than six vice ministers were involved, three of whom remain under arrest. Charges of corruption and improper conduct in the course of their duties were dropped against the other three after some intense lobbying on the part of families and powerful supporters. Both the releases and the continued imprisonments are interpreted in Vientiane in terms of the power of various factions within the Party. But the fact that the arrests took place at all probably reflects the continuing influence within the LPRP of those who are critical of the resurgence of 'petty capitalism', and who would like to introduce new controls on private enterprise and step up the languishing programme of agricultural cooperativization.

The balance of political forces in Laos between the so-called 'hardliners' who want a more rapid socialist transformation of the Lao economy, and the 'liberals' who wish to continue present policies, depends in part on the stock-taking carried out in preparation for the tenth anniversary celebrations. The outcome of this struggle will only become evident, however, when the second five-year plan is announced, and when the Fourth Congress of the LPRP is called later in 1986.

*Martin Stuart-Fox lectures in South East Asian history at the University of Queensland. He was formerly a UPI correspondent,*