LAOS
Politics in a Single-party State

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In the nominally Marxist-Leninist Lao People's Democratic Republic (LPDR), whose political institutions are modelled on those of the former Soviet Union, the most important events of the political calendar are the congresses of the ruling Lao People's Revolutionary Party (LPRP). These congresses take place only every five years, and 2006 was such a year.

Party congresses provide opportunities both for the nomination of a new political leadership, and for setting out new policy directions. Thus it was the Fourth Party Congress in 1986 that endorsed the so-called "new economic mechanism", which introduced a market economy and opened the way for private foreign investment. The Fourth Congress was delayed for nine months while the ideological struggle over policy was waged, with great secrecy, within the Party. That subsequent congresses have been held on schedule (some time in March) suggests a degree of ideological consensus. The 2006 Eighth Party Congress was held on schedule.

What party congresses do determine is the leadership of the country for the next five years, so they are preceded by a period of intense political activity. And because of the excessive secrecy that surrounds all intra-party politics in Laos, the lead-up to a party congress is a time of swirling rumour. For a good two years prior to the 2006 congress rumours abounded about the likely composition of the new Political Bureau, and who would get what position in the new government that is formed after each congress.

In the lead-up to the Eighth Party Congress there was little serious debate over policy. Some observers claimed to discern differences between "reformers" and "conservatives", or between "pro-Vietnamese" and "pro-Chinese" groupings within the Party, but there was widespread agreement over key policy issues. These

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were, broadly, that the country should continue to pursue an open market economy and to attract foreign direct investment to develop industry and resources; that it should continue to accept foreign aid from all willing donors; and that it should carefully balance its relations not just between Vietnam and China, but also with Thailand and other ASEAN states, and with Japan and the West.

So what was all the politicking about? Mainly it was about the protection of political interests by powerful figures within the party. These interests have to do with how political power is concentrated and applied, which in Lao political culture is through patronage networks that take in not just extended families (through birth and marriage), but also close friends, business partners, and regional representatives. Being part of a network focused on a powerful political figure (in Laos, usually a member of the Politburo) provides access to all sorts of benefits, from positions in government or the bureaucracy to business contracts and influence in cases of law to scholarships for children, and so on. As all this takes place as a result of power exercised by and through the party, there is all but complete agreement within the party on the necessity to maintain its monopoly of political power, and to protect the means at its disposal to disburse patronage. So what needed no discussion in the lead-up to the Eighth Party Congress was whether to institute more democratic processes, or to make politics more transparent. Such reforms were not on the party's agenda.

The Outcome of the Eighth Party Congress

With little warning (probably for security reasons), the four-day congress opened on 18 March. The results were not as rumour predicted. Only 82-year-old state and party President General Khamtay Siphandone, stepped down, instead of the expected three or four ageing generals. With the earlier death of Major-General Osakan Thammatheva, this left just two vacant places in the 11-member Politburo. These were filled by the long-serving former Foreign Minister Somsavat Lengasavad, and Madame Pany Yathothu, the first woman and the first ethnic Hmong to be elevated to the Politburo.

Rumour did get one thing right, which was that Bouasone Bouphavanh managed to leapfrog Thongloun Sisoulith in party rankings to be subsequently named prime minister. In the Politburo, however, Bouasone still follows six more senior members, five of whom are former military officers. Power still lies with these men.

Into Khamtay's place as both party and subsequently state President stepped former Vice-President Lieutenant General Choummaly Sayasone, a protégé and

close confidant of Khamtay in both the army and the party, and like Khamtay, from southern Laos. Given that Bouasone too is a protégé of Khamtay's from southern Laos, it is clear that in stepping down Khamtay made sure that close supporters from his patronage network were in place to protect his interests and ensure his continuing political influence.

The very preponderance of Khamtay's influence in the new party and government line-ups may have been a factor in the determination of generals Samane Vignakhet (79, from Savannakhet), Sisavath Keobounphan (78, from Huaphan), and Asang Laoly (74, from Phongsali) not to retire, in order to protect their own respective family and regional interests. Also remaining in place is the powerful former Prime Minister, now state Vice-President, Bounnyang Vorachit, representing like Samane the interests of the central Laos patronage network of former Politburo member Nouhak Phoumsavan. The remaining military representative is Defence Minister Lieutenant General Douangchay Phichit, a career officer who reportedly owes his position to Khamtay and Choummaly.

The highest-ranked civilian at number three in the Politburo is Thongsing Thammavong, a native of Huaphan, but now mayor of Vientiane municipality. At 62 he is still relatively young, and could be in the running for party or state president at the next party congress in 2011 — especially if the two positions are separated, as in Vietnam, to put some distance between the party and the state. The other Politburo members are all from northern Laos: Thongloun Sisoulith from Huaphan, representing the continuing influence of the network of his father-in-law, the late Politburo member Phoumi Vongvichit; Somsavat Lengsavad from Luang Prabang, a protégé of former party President Kaysone Phomvihane; and Madame Pany from Xiang Khuang, daughter of the renowned pro-Pathet Lao Hmong military leader Ya Tho Thu.

Just outside the Politburo, the next three members of the Central Committee (CC) bear watching. All three jumped several places in the rankings, and all three were named to the Executive Board of the party, a resurrection in all but name of the former party Secretariat that was formally abolished in 1991.[1] Bounthong Chitmany came from number 34 to 12. He is a former Governor of Udomxai and presently heads the party's influential Personnel Board, which is responsible for party appointments and promotions. Sombath Yialyheu, the Hmong Governor of Xainyburi province, jumped from 42 to 13; while Thongbane Sengaphone, formerly Governor of Bolikhamxai and now Minister of Security, moved from 43 to 14. All three are now poised to enter the Politburo at the next party congress.

If the composition of the Politburo signals little hope for change in the constricting political culture and policies of the party, the composition of the

new 55-member CC is a little more encouraging. Almost 40 per cent of the old CC retired to make way for 19 new faces from a range of different ethnic backgrounds, including Phu Tai, Hmong, and Lao Theung. The new members are younger and better educated (six have doctorates, though mostly in Marxist-Leninist studies), and most have already proved themselves as relatively efficient party administrators or province governors.

National Assembly Elections and the New Government

The decision to hold elections for the 115-seat National Assembly in May — almost a year earlier than had been expected — came as a surprise. Under the terms of the Lao Constitution the old Assembly could have endorsed changes in government, so bringing the elections forward suggested that the party was eager to put an entirely new legislative and executive team in place. Election of a new Assembly would presumably strengthen a new government line-up, even though all represent a single ruling party.

At any rate, the election went ahead on 30 April. Fewer than half of the members of the former Assembly stood for re-election. Of the 175 candidates who stood for the 115 seats, all but a handful were members of the LPRP, and all required endorsement by the party-controlled Lao Front for National Construction (LFNC).[2] Though electioneering was low-key, voter turn-out was predictably high (at 99 per cent). Just over a third of the previous Assembly members were re-elected, while 62 per cent were fresh faces.[3] Former National Assembly President Samane Vignaket did not stand for re-election, leaving the way open for Thongsing Thammavong to be named in his place. Madame Pany reportedly turned down the Finance Ministry to remain Assembly Vice-President, along with Dr Saysomphone Phomvihane, son of the late President Kaysone.

It remains to be seen whether the new National Assembly will be any more eager than the previous Assembly to hold the government to account, either for its financial management (through scrutiny of the budget and expenditures), or for its policy decisions. The former Assembly did raise the taboo subject of corruption in relation to the Auditor General's report, but nothing came of its questions. Workshops have been held for new Assembly members under a EU programme to acquaint them with parliamentary procedures in the European Union, but as all but two independents are members of the LPRP, it is unlikely that Assembly members will jeopardize their chances for promotion within the party by questioning their own leaders too closely.

The new Assembly met for its first plenary session early in June, with the principal task of rubber-stamping the changes already decided upon by the Party. Thus Choummaly was formally elected state president, with Bounnyang as his Vice-President. More significant were changes to the government. Bouasone was endorsed as prime minister, with four deputy prime ministers. These are Asang Laoly, former Minister of the Interior and now Chair of the State Control Commission with nominal oversight on corruption; Thongloun Sisoulith, who takes over the Foreign Ministry; Minister of Defence Lieutenant General Douangchay Pichit; and former Foreign Minister Somsavat Lengsavad, who takes over Bouasone's old job as "standing member" of the government, charged with managing government business.

In the full new ministry of 28 (including all those with ministerial rank), 15 are new faces. Several of these were promoted from vice-ministerial positions with the retirement of former ministers, but others were surprise appointments. The only significant change in the structure of government was the consolidation of Commerce and Industry (with Handicrafts dropped from the title) in a single ministry and the creation of a new Ministry of Energy and Mining (although further structural changes, including a new Ministry of Natural Resources and Environment, have been mooted). Former Commerce Minister Soulivong Daravong has been moved to become Chair of the Committee for Planning and Investment to make way for Dr Nam Vignaket (Samane's son) to take over Industry and Commerce, a promotion that owes not a little to his father's influence. The new Minister for Energy and Mining is Dr Bosaykham Vongdara, previously Acting President of the Lao Federation of Trade Unions, but before that Director-General of the Department of Geology and Mining in the Ministry of Industry. This looks like being a key ministry for the future of the Lao economy (see below).

For the first time two women have entered the ministry. They are former Women's Union President Madame Onchanh Thammavong (no relation to Thongsing) as Minister of Labour and Social Welfare, and Madame Boupheng Mounphosay as minister in the Prime Minister's Office in charge of the Public Administration and Civil Service Authority. Another first is the appointment of Chaleun Yiapaoher as Minister of Justice, the first Hmong to take charge of a central government ministry (though Hmong have previously served as ministers in the Prime Minister's Office). Chaleun replaces that great survivor, former "patriotic neutralist" general Khamouane Boupha, the only minister not a member of the LPRP, who moves to the Prime Minister's Office charged with overseeing land policy and management issues.[4]

Chansy Phosikham remains at the Finance Ministry, while Phouphet Khamphounvong has been confirmed as Governor of the National Bank, which carries ministerial rank. He is a technocrat and one of nine ministers not on the Central Committee of the party, but the extent to which the Bank as a key financial institution can be shielded from interference from the party remains to be seen.[5] Five ministers serve in the office of the Prime Minister and one in the office of the state President. Agencies whose heads have ministerial rank include the Science, Technology and Environment Agency, the National Tourism Authority, and the National Mekong Committee.

Six months is too short a time to assess the competency and vigour of this new government line-up, but it certainly has not moved quickly to implement any radical reforms. In his maiden speech as Prime Minister, Bouasone committed the government to act upon the direction set by the resolutions of the Eighth Party Congress and the Sixth Socio-economic Development Plan. The Plan envisages a growth rate of 7.5 per cent or more through to 2010, by which time the average per capita income is expected to be around US$800 per annum. Bouasone also committed the government to reduce poverty (especially severe in the rural areas) and to put an end to slash-and-burn agriculture, even though to a degree these are incompatible (see problems below) — but previous governments have made similar commitments.

Bouasone did promise to tackle the problems of "bureaucratic practice" (by which he meant the slowness, even reluctance of civil servants to take decisions, and their lack of transparency) and "negative phenomena" (including, notably, widespread corruption). And he also committed the government to improve "administrative mechanisms", which should translate into more transparent governance. At the same time the government has pledged to ensure the strict application of the constitution and the laws of the land. These commitments were music to the ears of those who have been urging just such reforms on successive Lao governments, particularly Western aid donors and multilateral lending institutions such as the World Bank and the Asian Development Bank (ADB). But such promises have been made before, and whether anything will actually eventuate remains to be seen. There was no mention of political reform or human rights or of loosening controls on the media.[6]

Bouasone himself is something of an enigma, and his hands may be tied. He won the prime ministership from Thongloun thanks to the support he received from Khamtay and Choummaly. At 52 he is nine years younger than Thongloun, less educated, and less experienced. The only foreign language he speaks is Russian (he has a bachelor's degree in politics from Moscow) and exceptionally

for a senior Lao party member, he has never studied in Vietnam. Thongloun, by contrast, has a masters degree in linguistics and literature and a doctorate in the history of international relations from the former Soviet Union, and he speaks Vietnamese and English in addition to Russian. On the face of it, Thongloun with his wide diplomatic experience has ideal qualifications as Foreign Minister: there is little doubt, however, that he legitimately aspired to much more.

Bouasone is a product of the party, who for 13 years worked in the office of the Party Central Committee, which he later headed for a further five years. In this role he both developed strong administrative skills and proved himself of value to Khamtay. But the extent to which he is beholden to Khamtay and his southern Lao patronage network may well limit any commitment Bouasone may personally have to political and bureaucratic reform. In his first six months in power he has moved slowly, perhaps carefully, perhaps widening his political support base. In terms of public exposure Somsavat, as Standing Member of the government, has been more prominent. Within the government Thongloun and Asang will be looking over Bouasone's shoulder, not to mention Choummaly and Bounnyang. He will find it very difficult, therefore, to introduce any reforms that threaten their interests.[7]

Political Challenges for the New Government

The political challenges facing the new government are many and varied. These have to do with uneven development, including rural poverty and the plight of minorities; with the pace and effects of regional integration within ASEAN and the Greater Mekong Sub-region (GMS); with growing corruption; and with resource development and its implications for regional relations. Other challenges might be listed, such as education and environmental destruction, but I shall treat these as far as possible under the above four headings.

Uneven development

For several years now the gap between rising urban living standards and static and even declining living standards in rural areas has been growing. This has had a number of effects. One has been an internal migration of impoverished peasants into towns and cities in search of work and improved opportunities for their children. In most of the country, and specifically in the case of the larger Mekong towns, the overwhelming majority of these moving to urban areas are ethnic Lao. Members of minority groups are more reluctant to head for the cities for fear of facing discrimination, except where minorities together comprise a

majority of the population, as in Xekong and Attopeu provinces in the south, and Phongsali in the north.

Such internal migration is happening throughout Asia, nowhere more so than China. It is on a small scale in Laos, but it is already providing a pool of cheap labour in the towns. The problem is that there is little work available. Construction employs some, as does the textile industry. But there is some question whether the latter will survive the impact of the ASEAN Free Trade tariff reductions when they come fully into effect and of Laos joining the World Trade Organization (WTO), slated for 2010. Greater regional integration, especially improved road links, may make Laos more attractive to industry producing for markets in both Vietnam and Thailand, but the government would first have to reduce regulatory burdens and limit bureaucratic obstruction and corruption.

Improved roads may also improve marketing of rural produce. But even where relatively good surfaced roads exist (for example, between the Plain of Jars and Vientiane; or between the Bolovens Plateau and Pakse) they are often tortuously slow for trucks to drive because of the mountainous terrain. Strawberries and other fruit and specialty products could be grown in Xiang Khuang, but would have to be flown to markets beyond Vientiane (Hanoi, Bangkok), thus adding greatly to their cost. So the introduction of new, high-value crops to reduce rural poverty will not be easy without substantial investment in infrastructure and logistics.

Reportedly successful crop substitution programmes have usually been heavily subsidized, aimed mainly to reduce the cultivation of opium. When subsidies are terminated, however, growers tend to revert to the only crop which is more valuable, more easily transported, and which does not deteriorate, and that is opium. After several years of reduced production, the area planted to opium in Laos edged up again in 2006.[8]

Rural poverty is actually being exacerbated by the government's determination, oft stated, to eliminate slash-and-burn agriculture. Across the country minority people are being pressured, some forced, to relocate to permanent villages at lower altitudes. The reason, according to the government, is both to enable services to be provided to improve living standards, and to protect the environment. In fact minimal services result, and the land is often unsuited for permanent agriculture. Poverty increases because people can no longer supplement their incomes, and their diets, by gathering forest products. Nor is the environment protected, for the real reason for resettlement is often so that Lao officials can appropriate the land, either to exploit timber resources, or to make it available (for an appropriate payment) to foreign companies for plantations of rubber, coffee, and timber.

Minorities can be forced to move because they have no ownership rights to the land they have traditionally ranged over and exploited for slash-and-burn farming. All upland country belongs to the state, which does not recognize traditional land rights. There is a land titling programme under way, but to date this hardly extends beyond certain urban areas, where it has led to considerable litigation over disputed ownership claims — and great wealth for officials responsible for arbitration, as cases are usually decided on the basis of which side pays most. Land grabbing in Laos has not reached Cambodian proportions as yet, but it is becoming a serious problem that is causing growing anger, and needs to be redressed.

Urged on by the United Nations Development Program (UNDP), the World Bank, and the ADB, reduction of rural poverty has been a major development goal for the Lao government at least since 2001, when an interim poverty reduction strategy paper was produced in cooperation with the International Monetary Fund (IMF). Poverty reduction was a key component of the Fifth (five-year) Socio-economic Development Plan, though it took more than two years before a definitive National Growth and Poverty Eradication Strategy was drawn up and presented to the National Assembly. Laos endorsed the United Nation's set of eight Millennium Development Goals designed to halve global poverty by 2015. Poverty reduction thus remains a key component of the Sixth Socio-economic Development Plan (2006–10),[9] and yet judged by results, the political will still seems to be lacking.

Human resource development is under-funded, with Laos committing proportionally less for education and health than the majority of ASEAN states — even though standards are depressingly low in both areas. And funds that are committed are plundered by officials at all levels before a trickle reaches remote villages. Teachers and health workers are often not paid for months on end, and must either eek out a living through additional employment, or seek payment from impoverished villagers. Some rural families must walk days to seek medical assistance. Schools, where they exist at all, are inadequate, and little attempt has been made to date to educate minority children in their own languages: tuition is only in Lao.[10]

So dire has been the failure of Lao governments to commit sufficient funds to poverty reduction and human resources development, and to ensure that they are properly used, that the World Bank, as part of its conditions for funding the giant Nam Theun II hydro-power dam insisted that revenue be sequestered in a Poverty Reduction Fund, in an effort to prevent "leakage" through the budget process. This may have some effect after the dam is completed in 2009, but it will allow other revenue to be diverted for sundry purposes.

Higher education is limited to a small elite consisting mostly of the children of party officials and the urban bourgeoisie, who can obtain scholarships, or pay, for study abroad. The National University of Laos is struggling. Though the number of students has increased, standards remain very low. There is a high demand for English language tuition, which is met by fee-paying schools, mainly in Vientiane. The only way for the great majority of poor rural students to pursue their education is the traditional way — by becoming a Buddhist novice and transferring to an urban *vat* (monastery).

Educated and concerned Lao are well aware that their country is falling behind both Thailand and Vietnam where both human and economic development are concerned. They know there is a need for a much better educated bureaucracy and workforce.[11] Yet their voices are not heard, since no public criticism of the government is permitted in the tightly controlled media. Meanwhile the party looks after its own.

Regional integration

Successive Lao governments have strongly supported regional integration and cooperation, whether through the Mekong Commission, or the GMS as promoted by the ADB, or through ASEAN — not least to attract more donor dollars. Yet there is disquiet among some Lao as to the effect these programmes, and globalization more generally, is having and will have on the fragile social fabric and culture of their country.

Concern centres on three issues: infrastructure, its financing and benefits; health; and the impact of the movement of people. This popular concern makes these political issues, though in view of its international commitments there is relatively little the government can do, except to cope with ill-effects as they arise.

Regional integration has been conceived largely in terms of infrastructure development. There are now three bridges across the Mekong — in order of construction, at Thadeua, just downstream from Vientiane, at Pakxe, and at Savannakhet (opened in December 2006, a vital link in the east-west corridor from Myanmar to Vietnam). Three more may be built if the ADB's "connectivity" grid envisaged for 2015 comes to fruition. The three bridges built so far have all been foreign aid projects and so have incurred little cost for the Lao government. Loans have been taken out, on favourable terms, to help finance the construction of some of the connecting roads, which will eventually have to be repaid. There are those who wonder if the presumed benefits to the Lao economy will cover

repayment costs. Some costs have been covered by giving construction companies the right to clear-fell timber for a distance on both sides of the road. But there will be ongoing maintenance costs.

There is some risk of Laos becoming a "truckstop" economy. Roads across Laos will principally benefit the exports of more powerful neighbours. They may also facilitate the export of Lao products to niche markets, including agricultural products from rural areas, thereby alleviating rural poverty. A study for the ADB Institute suggests that road development in the Lao PDR has already reduced and will continue to reduce poverty.[12]

Road infrastructure, however, brings with it not just positive but also negative impacts, which the Lao are in a weak position to mitigate. Heavy truck traffic across Laos will bring a demand for services, including prostitution. This will bring with it increased infection rates of HIV/AIDS and other sexually transmitted diseases. At present the HIV/AIDS infection rate in Laos, at less than 0.1 per cent, is much lower than any of its neighbours, with only 3,700 infected (2005 estimate).[13] Most of these infections are believed to be due to Lao migrant workers returning from Thailand and Vietnam.

Then there is the drug problem. While opium and heroin have both been in decline, drug smuggling and drug use in Laos by young Lao have shifted to amphetamines. Crystal ice is now available in Laos, manufactured in Myanmar, and trafficked through Laos to Thailand and Vietnam. There are persistent reports, though little hard evidence, of involvement by elements of the Lao military in this trade, for it is certain that someone is being paid for protection. Lao authorities have begun to show greater interest in controlling drug trafficking as their own children, the gilded youth of Vientiane, have begun to use amphetamines.

Another impact of regional integration and globalization has been a rapid increase in the number of tourists visiting Laos, now running at around 1.2 million per annum, but expected to increase to as much as 1.8 million by 2010. Over three-quarters of a million visitors in 2005–2006 were Thais who visit Vientiane for periods as short as one day to shop. But increasing numbers of Vietnamese and Chinese are arriving, along with European, North American, and Australian tourists, both backpackers and better-off visitors in small groups. Most of the latter head for the World Heritage site of Luang Prabang, which has limited facilities, and whose infrastructure will be threatened by increasing numbers of tourists. Already climbing real estate prices and rents in the World Heritage area are forcing out long-time Lao residents, thus making it difficult for the many monasteries to sustain themselves.

Corruption

Corruption is now a major social and political problem in Laos, which the government has shown little appetite to tackle.[14] Despite the promulgation of an anti-corruption law, and occasional public campaigns to draw attention to petty graft, no senior Lao official has been prosecuted — unlike in Vietnam and China. In part this is due to Lao reluctance to engage in personal confrontation. But it is also because corruption is so widespread, from senior members of the Politburo on down, that no one dares make an example of anyone else.

What the West defines as corruption has traditionally been part of Lao political culture, for personal relationships have always been the principal means of obtaining social, economic, and political advantage. To some extent this happens in every society. Problems arise when the influence of powerful individuals becomes the principal factor in deciding government appointments, for then merit and competency are both sacrificed. This is compounded when promotion is determined by loyalty to one's patron and to the party line.[15] Gifts in return for such services come perilously close to purchasing the position, as already occurs in Cambodia.

Corruption of this kind reflects the way power is concentrated and applied. But for patronage to be disbursed though networks focused on powerful political figures it requires that patrons have the necessary resources.[16] Apart from controlling government appointments, such resources include the awarding of government contracts, negotiating reductions in government fees and charges, and influencing decisions in legal disputes. As a result contracts are sub-contracted out after the deduction of substantial "fees", which makes it impossible to meet specified standards; much-needed government revenue is reduced; and the whole legal system is subverted when court cases are won on the basis of political influence and bribes.

Other significant forms of corruption include illegal extraction of natural resources, mainly timber, but also forest products and wildlife. Illegal logging has mainly been by the military in collusion with Vietnamese and Thai timber companies. Police and provincial officials are paid to turn a blind eye. This has enabled senior army officers to build lavish mansions. Then there are the payments made to officials to "facilitate" foreign investment projects. As foreign investment is on the rise in Laos, these are increasing.

Apart from service industries associated with such areas as finance and tourism, investment is currently focusing on agriculture, minerals, and hydro-power. Plantation agriculture is a growth industry. Chinese interests have gained large concessions in northern Laos to plant timber and rubber, while in the

centre and south agarwood, teak, eucalyptus, rubber, palm oil, and coffee are being grown, involving Japanese, Indian, Malaysian, Vietnamese, and Thai interests. Payments to officials at the central and provincial levels of government facilitate the granting of concessions, often overriding the traditional use rights of local villagers (see above).

Mining is the new boom industry in Laos.[17] The success of the Sepone gold and copper mine run by the Australian company Lane Xang Minerals (Oxiana) has generated considerable interest from Chinese and Thai mining interests. There is no transparency in the awarding of mineral exploration rights. Even more disturbing is that relatives of powerful political leaders have unaccountably gained legal rights to mineral wealth in parts of the country. The discovery and exploitation of minerals in such "concessions" will make their "owners" seriously wealthy.

Hydropower is another growth industry. When the giant Nam Theun II dam is completed in 2009, sale of electricity will inject tens of millions of dollars into the Lao treasury. As power demand in the region surges over the coming years, there will be competition to build more dams, offering the possibility of more "agents' fees" and other payments to Lao officials. Already the go-ahead has been given to construct two new dams on the Nam Ngum River in the north (with another two planned) and two more in the south.

The new wealth is evident in Vientiane and other Mekong towns (Savannakhet, Thakhek, Pakse). New villas for the interlinked network of families of the political-economic elite are eating up the rice paddies around Vientiane. The preferred status vehicle to date has been the Lexus SRV, but Mercedes opened its first dealership in Vientiane in 2006 (run by the son of a former Politburo member), with early sales of top models reportedly being to close relatives of senior Party officials. The children of the elite indulge in conspicuous consumption with all the arrogance of those who know they are untouchable.

The example set by party leaders extends throughout society. Corruption by provincial governors led reportedly to the sacking of five in 2006. But since no ill-gotten gains were confiscated the chances are that their replacements will repeat the exercise.[18] Governors who develop their provinces by getting investment and development programmes up and running may be rewarded by party promotion, which is the case with several CC members. The difference between dismissal and promotion mostly depends on political patronage.

At a lower level, officials consistently plunder programmes designed to help the poor and underprivileged. To take a case in point, a programme funded by the ADB to promote small-scale plantation agriculture was investigated for fraud by the Bank's Operations Evaluation Department, which found evidence

of ghost borrowers, misuse of credit funds, inflation of development costs, and over-disbursement of loan funds by Lao officials.[19] Reports suggest that 50 vehicles purchased for a World Bank–financed project for use in the provinces, still remain in the private hands of officials in Vientiane. Such forms of corruption plague bilateral aid programmes as well, some of which have reportedly suffered "leakages" of up to 30 per cent.

So pervasive has corruption now become in the Lao PDR that it must be doubted whether even a government with the necessary political will could do much about it. Because of growing concern on the part of multilateral and bilateral aid donors, however, the government makes ritual reference to tackling the problem. A delegation of senior officials was even despatched to study anti-corruption measures in Singapore. But this is what the Lao authorities have learned to do: agree on the need for reform, even introduce legislation, but then fail completely to follow up on implementation. Laos has some of the best environment laws on the books, but they do little to protect the environment — and the same applies to anti-corruption measures.

Resource development

The irony is that for all the corruption and the failure of the government to introduce good governance or enforce the rule of law, the outlooks for both the economy of the country and for the longevity of the party remain positive. The reasons for the latter are several, including repression of all political opposition, tight control of the press, and the fact that even if government services are poor (in health and education), peoples' lives, at least in the larger towns, are generally getting better rather than worse. Some freedom is allowed to grumble about the government, even to foreigners, but the rule of the party is not in any way threatened.

Improved living standards reflect an expanding economy, currently growing at around 7 per cent per annum. To date this growth has largely come from resource exploitation (mainly timber, even if extracted illegally), light manufacturing (especially textiles), construction, and services (especially associated with tourism). In the current financial year, however, export of minerals, including gold, but mainly copper from the Sepone mine, will account for a large proportion of the value of Lao exports, and so contribute to closing the gap in the balance of trade.[20] The other major export earner is hydropower.

Mining and hydropower production require large-scale investment, beyond the capacity of the Lao government to fund. Its only recourse is to borrow from multilateral lenders or to do a deal with international investors that turns eventual

ownership over to the Lao government (as in the build-operate-transfer model for infrastructure projects such as bridges or toll roads), that allows the government to buy in a later stage using a portion of its revenues from the project, or that gives the government a fixed or increasing percentage of the profits (in addition to royalties and charges) for the life of the project.

Who gets what concession to mine or build depends to a large extent on the state of relations between Laos and other countries. Thus friendly relations between Laos and China, including levels of aid and political support, create a favourable climate for investment by Chinese companies. In this way economic development and foreign relations interact, and major development projects in particular have international relations implications.

Just such implications are likely to be a consideration in how Laos exploits the latest major mineral find. This is a huge bauxite deposit in southern Laos, in which there is considerable interest from Chinese, Australian, and Thai mining interests.[21] To convert bauxite into aluminium requires large quantities of electricity. This is relatively cheaply provided in Australia, for example, from coal-fired power stations, which produce large amounts of greenhouse gases. In Laos, with its hydropower potential, there is an opportunity to create a clean, green aluminium industry.

A similar-sized bauxite deposit has been discovered in southern Vietnam, in which the American aluminium giant Alcoa is reportedly interested. But to develop the Vietnamese deposit would require more electricity than Vietnam, with its rapidly growing economy and power needs, can provide. So an aluminium industry in Vietnam would be likely to look to Laos for hydropower, in competition with any Lao aluminium industry. Indeed both Vietnam and Russia are already investing in hydropower projects in southern Laos. Given that the Chinese are most interested in developing a Lao aluminium industry, and that Thailand has currently contracted to purchase the great majority of Lao hydropower from the Nam Theun II, one can see how delicate any decision to develop a Lao aluminium industry will be.

Yet only such major mining and hydropower projects are likely to drag Laos out of its underdeveloped state — provided revenue is properly used to benefit the broad population. The irony is that revenue from such projects will also provide LPRP leaders with additional resources to maintain their patronage networks, and take the pressure off demands for taxation reforms to increase revenue collection.[22] How much "trickles down" would depend on levels of corruption, but at least a committed government would be in a position to increase the health and education and agricultural extension budgets.

Foreign Relations

For the first ten years of its existence, the Lao PDR was closely dependent on Vietnam. But over the last 20 years the goals of Lao foreign policy have been determined both by its geopolitical situation, and by a return to a traditional tendency to seek to balance relations with powerful neighbours and players, so as to maintain friendship with all, and to preserve some freedom of action. This the Lao regime has achieved with some success, in the process effectively diversifying its sources of aid and investment.

Relations with Vietnam still remain close, however. Their importance was underlined by the first official visits of Choummaly as party President and Bouasone as Prime Minister, both to Hanoi. But equally notable was that both immediately went next to China. Defence Minister Douangchai and Foreign Minister Thongloun also paid visits to both countries, while other ministers led or received delegations from one of the other.

There is no doubt that the nominally Marxist-Leninist regime in Laos looks to the equally nominally Marxist-Leninist regimes in China and Vietnam for its principal international support. All are in fact single-party states, whose ruling parties are determined to retain power. The questions usually asked of Laos are whether Vietnam or China is more favoured, and whether there are identifiable pro-Vietnam and pro-China factions within the Lao party. The answers to both questions involve both history and the Lao foreign relations preference for "balance" noted above.

The Lao and the Vietnamese were comrades-in-arms throughout the "30-year struggle" it took the LPRP to come to power, and the old revolutionary Lao leaders still in power are well aware of the sacrifices the Vietnamese made on their behalf during the Second Indochina War. Moreover, Laos and Vietnam stood together throughout the 1980s in the face of Chinese antagonism. There is an exchange of ideas and information of an informal kind between the Lao and Vietnamese that does not occur to anything like the same extent with the Chinese.

This gives the Vietnamese an advantage in their dealings with the Lao, but as the might of China grows, the Lao are well aware of the need to acknowledge this. The Chinese have not set out to undermine the Lao-Vietnamese relationship: they understand its basis. Moreover, both Vietnam and Laos are now members of ASEAN, and Chinese foreign policy takes into account relevant broader implications. But Beijing has sought to exercise equal influence, through the political support and economic and financial aid it can offer. For the Lao, therefore, it is not a question of being pro-Vietnamese or pro-Chinese: all agree on the need to balance relations with both. The only differences are over how best to do this.

China's interests in Laos were evident in the assistance package agreed upon during Choummaly's week-long official visit to China in June. Cooperation was foreshadowed in hydropower, mining, agriculture, and development of the GMS, plus associated technical training. All these are areas China is interested in investing in, and is already doing so, with a view to extending trade links between Yunnan and the states of mainland Southeast Asia. Since the Chinese do not require visas to visit and work in Laos, they constitute a growing presence in the north of the country where they pay off local officials — a development which causes some Lao more than a little concern. Chinese interest in Laos was further underlined by Hu Jin-Tao's visit to Vientiane after the ASEAN Heads of Government Meeting in Hanoi, when development cooperation amounting to between US$250 million and US$400 million, in concessional loans, debt relief, and direct aid was promised.

Laos continues to cement its ties with other members of ASEAN. Thailand in particular remained the largest source of foreign investment in Laos for 2005–2006, with the largest number of projects.[23] Thailand also remains the Lao PDR's most important trading partner, while Japan remains far and away the largest donor of bilateral aid (followed by Sweden, Germany, and Australia). In both trade and aid, however, China is fast overtaking all competitors. China is purchasing increasing amounts of such agricultural staples as corn, cassava, and sugar in exchange for manufactured goods; and China is probably already the largest single source of financial assistance to the LPDR.[24]

The United States finally granted Laos normal trade relations (NTR) in 2004, though its effect as yet on bilateral trade has been negligible. The United States takes little interest in Laos, except for matters such as human rights, freedom of religion, and treatment of the Hmong,[25] all of which for the Lao constitute interference in the country's internal affairs. Since the United States provides very little aid and limited investment, it has limited influence on any of these.[26]

Conclusion

The year 2006 provided Laos with a new political leadership team, but set no new policy directions. Lip service was paid to the need to improve governance, institute financial reform, and fight corruption, but as the same elderly generals responsible for the current state of the country are still in power, little is likely to change. They have their patronage networks in place, and those who benefit from them have no incentive to dismantle the system.

There is a younger generation of technocrats, whose higher education was not in Marxism-Leninism in Moscow and Hanoi, but in technically useful subjects in good Western universities. During their studies they had the opportunity to see how alternative forms of governance work, and they understand far better than the current political leadership what benefits reforms can bring. But they are not in a position yet to make the key decisions, and in the mean time they cannot help but be drawn into the prevailing system.

So the political-economic elite that runs Laos seems set to continue to do so. The party keeps tight political control over a docile population, while benefiting financially from both aid and foreign investment. As major mining and hydropower projects boost government revenue, the regime may even be prepared to devote some of that revenue to developing human resources through improved health and education. This at least it could do, given the political will and provided corruption does not get completely out of control. Perhaps this is the best the people of Laos, and friends abroad, can hope for.

Notes

1 The membership of the LPRP Central Committee Executive Board (Secretariat) gives a good indication where power lies within the party: Choummaly Sayasone; Bounnyang Vorachit; Asang Laoly; Douangchai Pichit; Bounthong Chitmany; Sombath Yialyheu; and Thongbane Sengaphone.

2 The Front also held its five-yearly congress in 2006, as did the Lao Women's Union. While the former has seen its political influence decline over the years, the latter has had more success, partly because wives of most powerful political figures are members.

3 Membership of the new assembly did not reflect the proportions of major ethnic divisions. Only 17 are Lao Theung (Austronesian-speaking minorities), six are Lao Soung (Tibeto-Burman and Hmong/Mien), with the rest ethnic Lao and Tai. The average age of Assembly members is 53; 25 are women; and the educational level has improved.

4 Khamouane heads the new National Land Management Authority bringing together the Land Titling Project (formerly under Ministry of Finance), parts of the Department of State Assets (also formerly under the Ministry of Finance), the Department of Land Use Planning and Development, and a newly created Department of Land Use Policy and Inspection, as well as the National Center for Information and Research into Land Use and Natural Resources.

5 A new banking law is being drafted that will open the way for foreign banks to operate a full range of services, as in Cambodia and Vietnam, which may pose a challenge to current Lao banking practices.

[6] A new media law that has been several years in the drafting is expected to come before the new National Assembly, but this is unlikely to endorse freedom of the press as understood in Western democracies.

[7] Any new policy must in any case be sent for approval by the Politburo, a process which takes some time as soundings may need to be taken from province governors and the National Assembly Standing Committee.

[8] United Nations Office on Drugs and Crime, *Opium Poppy Cultivation in the Golden Triangle: Lao PDR, Myanmar, Thailand* (Vientiane, October 2006). The estimated area in Laos increased from 1,800 hectares in 2005 to 2,500 in 2006, still little more than a tenth the area cultivated in Myanmar, and with a much lower yield of 8 kg/hectare, as against 14.7 for Myanmar.

[9] Draft available at http://www.unlao.org/Links%20nov04/Lao%20NSEDP%20VI%20Draft%20Final.pdf.

[10] Primary school enrolments are 85 per cent, but secondary enrolments are less than half that. Literacy is still below 70 per cent (Economist Intelligence Unit ViewsWire, 26 May 2006).

[11] A UNDP-supported "governance and public administration reform" project is attempting to improve standards in the Lao civil service.

[12] Peter Warr, *Road Development and Poverty Reduction: The Case of the Lao PDR*, ADB Institute Discussion Paper No. 25, February 2005.

[13] HIV InSite: http:/hivinsite.ucsf.edu/global?page=cr08-la-00&post=19&cid=LA (accessed 6 December 2006).

[14] Just how serious corruption has become was indicated by the decline of the LPDR in the international corruption stakes. In 2006 Laos was ranked 111 out of 163 countries by Transparency International, down from 77 out of 159 in 2005. See http://www.transparency.org.

[15] Five ministries are reportedly undergoing "restructuring", which essentially means removing incompetent officials whose political patrons have lost influence by a new set, hopefully more able, who will owe their positions to more powerful patronage.

[16] I have discussed this at some length in Martin Stuart-Fox, "The Political Culture of Corruption in the Lao PDR", *Asian Studies Review* 30, no. 1 (March 2006): 59–76. See also Patrick Keuleers, *Corruption in the Lao PDR: Underlying Causes and Key Issues for Consideration* (Bangkok: UNDP, March 2004).

[17] Between 1997 and 2005, 66 companies, half of them Lao, half foreign, submitted proposals for 122 projects in the mining sector.

[18] Some provincial administrators have actually been appointed to their positions as punishment for flagrant corruption.

[19] "Sector Assistance Program Evaluation for the Agriculture and Natural Resources Sector in the Lao People's Democratic Republic, SAP: LAO 2005-17", Operations Evaluation Department, Asian Development Bank, December 2005. See also Chris Lang and Bruce Shoemaker, "Creating Poverty in Laos: The Asian Development Bank

and Industrial Tree Plantations", Briefing Paper for the World Rainforest Movement, April 2006.

[20] One estimate is that gold and copper exports from Sepone will account for as much as 60 per cent of Lao exports in 2006, when production is slated to reach 60,000 tons. *Sydney Morning Herald*, 8 December 2006, http://www.smh.com.au/news/Business/Oxiana-eyeing-500m-net-profit/2006/12/08/1165081133431.html (accessed 12 December 2006).

[21] The principal interested party is China Non-ferrous Metals International Mining Co Ltd (CNMIM). Yahoo! New Asia, 23 October 2006, http://asia.news.yahoo.com/061023/3/2rqis.html (accessed 15 December 2006).

[22] All sorts of taxes and charges, including customs dues, commercial taxes, and income tax, are "negotiated" in Laos between the finance ministry and individuals, sometimes over years. The amounts paid reflect deals done in the light of political connections.

[23] Thailand (US$635 million) was followed by China (US$423 million), Japan (US$401 million), India (US$350 million), and Vietnam (US$261 million). The major areas were energy with US$1.7 billion, and agriculture with US$423 million (*Vientiane Times*, 14 November 2006, p. 8). Different figures were reported by the Vietnam News Agency, 20 June 2006, which gave a higher figure for Vietnamese investment (US$469 million) and listed France (US$415 million) and Australia (US$340 million) as the two major Western investors.

[24] See, for example, David Fullbrook, "Beijing Pulls Laos into Its Orbit", *Asia Times Online*, http://atimes.com/atimes/Southeast_Asia/HJ25Ae01.html (accessed 24 December 2006); and Dr Pavin Chachavalpongpun, "With a Little Help from Laos's Friends", *Nation* (Bangkok), 4 December 2006.

[25] Small bands of Hmong continue to surrender to the government. What to do about 6,000 to 7,000 Hmong still in Thailand refusing repatriation is a matter still bedevilling relations between Laos and Thailand.

[26] "Supporting Human Rights and Democracy: The U.S. Record 2005–2006", Bureau of Democracy, Human Rights and Labor, Washington, http://www.state.gov/g/drl/rls/shrd/2005/63945.htm (accessed 12 December 2006).