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Laos in 2013

Macroeconomic Ambitions, Human-centered Shortcomings

ABSTRACT

In 2013 Laos joined the World Trade Organization, economic growth was over 8%, and graduation from least-developed country status by 2020 remains achievable. But its human development index of 0.543 remained below the regional average. Macro development projects still threaten the vulnerable. The abduction of a prominent campaigner and repatriation of North Korean refugees highlighted human rights challenges.

KEYWORDS: Laos, development, human rights, human security

INTERNATIONAL RELATIONS AND ORGANIZATIONS

Laos informed the World Trade Organization (WTO) on January 3, 2013, that it had ratified its membership agreement, becoming the organization's 158th member on February 2, after 15 years of effort. Laos is the last of the 10 Association of Southeast Asian Nations (ASEAN) members to become a WTO member. Observers hope that accession may finally attract much-needed foreign investment. The government is counting on this, with around one-quarter of the \$15 billion budget for the 2011–15 development plan anticipated to be funded by donors and development partners.¹ Vientiane has stressed the importance of international relations to its plans. Hence, in September 2013 at the U.N., Deputy Prime Minister and Minister of Foreign Affairs Thongloun Sisoulith highlighted the need to safeguard political

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1. Integrated Regional Information Networks (IRIN), "LAOS: Aiming to Leave Least Developed Country List," October 20, 2013, <<http://www.irinnews.org/report/95470/>>.

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stability for national development. Thongloun said the government of the Lao People's Democratic Republic (PDR) has deployed its utmost efforts in pursuing a consistent foreign policy and promoting international cooperation at all levels.² Laos has played an active part in ASEAN community building and in the Asia-Europe Meetings (ASEM). It lies literally at the heart of the Greater Mekong Subregion (GMS), being the only country bordering all other members.

With resilient economic growth in the region, the World Bank expects the Lao PDR to benefit from sustained demand from its key partners.³ In order to further promote friendly relations with its neighbors and stimulate tourism, Laos is exploring single-visa schemes with Thailand and Cambodia.⁴ Thailand has also been helping Laos develop its fledgling equity and bond market, which recorded dramatic gains in 2013.⁵ Laos has sought to overcome the structural impediments of being the only country in Southeast Asia lacking direct access to the sea.⁶ The year 2013 saw progress in attempts to become "land-linked," including being part of ambitious rail projects aimed at linking Thailand and China, and Thailand and Vietnam.⁷

Partnering with the Asian Development Bank (ADB), Laos is looking to "diversify the economy in a sustainable inclusive manner." Projects for 2013 included "Road Sector Governance and Maintenance" and the "Greater Mekong Subregion East-West Economic Corridor Agriculture Infrastructure Project."⁸ The UNDP (United Nations Development Program) is partnering with Laos to assist with two "critical transitions: (I) to a market economy that

2. Lao Ministry of Foreign Affairs (MOFA), "Statement by His Excellency Mr. Thongloun Sisoulith, Deputy Prime Minister, Minister of Foreign Affairs of the Lao PDR, at the 68th session of the United Nations General Assembly, New York, 28 September 2013," September 30, 2013, <<http://www.mofa.gov.la/en/the-ministry/the-deputy-prime-minister-minister-of-ministry-of-foreign-affairs/308-ung2013>>.

3. World Bank, "Lao PDR Economic Monitor June 2013: Sustaining Growth, Maintaining Macroeconomic Stability," July 2, 2013, <<http://www.worldbank.org/en/news/press-release/2013/07/02/lao-pdr-economic-monitor-june-2013-sustaining-growth-maintaining-macroeconomic-stability>>.

4. "Thailand to Propose Single-Visa Plan to Laos," *Bangkok Post*, May 15, 2013, <<http://www.bangkokpost.com/news/local/350196/thailand-to-tempt-laos-into-single-visa-scheme>>.

5. Jamie Robertson, "Markets Rally, but Investors Look beyond the Brics," BBC World News, February 11, 2013, <<http://www.bbc.co.uk/news/business-21390504>>.

6. Paul Collier, *The Bottom Billion* (New York: Oxford University Press, 2008).

7. Radio Free Asia, "Laos to Break Ground for Thai-Vietnam Railway Project," June 6, 2013, <<http://www.rfa.org/english/news/laos/railway-06062013161030.html>>.

8. ADB, "Countries: Lao PDR," <<http://www.adb.org/countries/lao-pdr/main>>.

gives people the power of choice and (2) to become a middle-income country by 2020.”⁹

GROWTH AND DEVELOPMENT

Laos has stated its ambition to graduate from the U.N. list of least developed countries (LDCs) by 2020. Minh Pham of the UNDP in Laos said the fact that the country has both volunteered itself for graduation and set a fixed date shows the seriousness of the government’s intent. The U.N. Conference on Trade and Development (UNCTAD) estimates that Laos could potentially meet all the criteria by 2015. It would then need to repeat this at the next review, three years later, to be eligible for graduation.¹⁰ According to the National Economic Research Institute (NERI) of Laos, economic growth for the year 2012–13 should reach 8.3%, with most growth in the industrial sector.¹¹ The World Bank and International Monetary Fund (IMF) put the figure at 8%.¹²

Gross domestic product (GDP) per capita reached 10.8 million kip (US\$1,349), and the value of the Lao kip grew by 0.2% on the U.S. dollar and 1.98% on the Thai baht. Although there was a slight upturn in inflation on the previous year to 5.4%, figures are still well below those of two years previously.¹³ Indeed, the recent robust economic growth has helped to nearly halve poverty, with much of the impetus coming from macroeconomic investments in mining and hydropower infrastructure.¹⁴

Laos continues to face challenges at both the macroeconomic and human development levels. Furthermore, some of the macro projects themselves threaten people’s livelihoods. There are worries over a budget squeeze stemming from the relative decline of government revenues. Credit growth, partly driven by public spending, has raised concerns about the health of the banking system.¹⁵ To reach the targets set in the National Socio-Economic

9. UNDP Laos, “Overview,” <<http://www.la.undp.org/content/laopdr/en/home/ourwork/overview/>>.

10. IRIN, “LAOS: Aiming to Leave Least Developed Country List.”

11. Phetsamone Chandala, “Economists Project Strong Economic Growth in Laos,” *Asia News*, June 20, 2013, <<http://asianewsnet.net/Economists-project-strong-economic-growth-in-Laos-48171.html>>.

12. World Bank, “Lao PDR Economic Monitor June 2013”; IMF, “IMF Concludes 2013 Article IV Mission to Lao P.D.R.,” October 2, 2013, <<http://www.imf.org/external/np/sec/pr/2013/pr13383.htm>>.

13. Chandala, “Economists Project Strong Economic Growth in Laos.”

14. ADB, “Countries: Lao PDR.”

15. IMF, “IMF Concludes 2013 Article IV Mission to Lao P.D.R.”

Development Plan, Vientiane will need to address debt in mega-investment projects, further increase the value of the kip, and prepare to link with the world and regional economies, especially the ASEAN Economic Community.¹⁶

Even exiting LDC status poses possible future challenges in terms of a potential reduction in official development assistance (ODA) and preferential trade treatment. The Lao PDR's Human Development Index (HDI) is 0.543, ranking 138 out of 187 countries with comparable data, well below the regional average of 0.683.¹⁷ Not surprisingly, therefore, the World Bank has stressed the need for "greater investment and improvements in spending efficiency in the social sectors, especially in priority areas such as health and education in order to promote the development of human capital."¹⁸ Despite considerable progress on their removal, Laos remains the country most contaminated by explosive remnants of war, with half the global annual total of civilian deaths from cluster munitions.¹⁹

Although Laos is among the 10 "top movers" in terms of human development progress, it remains one of the poorest and least developed in South-east Asia, with social indicators still among the lowest in the region.²⁰ It is also the most rural nation, with a high prevalence of rural poverty, particularly in mountainous regions, where the majority of the country's ethnic minority peoples live. In upland areas, the poverty rate is as high as 43%, compared with 28% in the lowlands; the poorest groups in the lowlands are those who have been resettled from mountain regions.²¹ Resettlement is often a result of macroeconomic development projects such as hydroelectric dams. Human security concerns are linked with other development projects, particularly those involving international actors. The government has encouraged commercial exploitation of land to boost growth, often through rubber plantations in partnership with Vietnamese and Chinese interests. Accusations abound of

16. Chandala, "Economists Project Strong Economic Growth in Laos."

17. UNDP, "Human Development Report: Laos," <<http://hdrstats.undp.org/en/countries/profiles/LAO.html>>. The HDI was introduced by the UNDP as a new way of measuring development by combining indicators of life expectancy, educational attainment, and income into a single composite measurement of human-centered development.

18. World Bank, "Lao PDR Economic Monitor June 2013."

19. Mine Action Group International, "Lao PDR Targeted Clearance Helps Reduce Poverty," <<http://www.maginternational.org/MAG/en/news/lao-pdr-targeted-clearance-helps-to-reduce-poverty/#.UbPVGSKmpdg>>.

20. Rural Poverty Portal, "Rural Poverty in Lao PDR," <<http://www.ruralpovertyportal.org/country/home/tags/laos>>.

21. Ibid.

land-grabbing, where residents have been evicted and offered inadequate or no compensation.²² There are similar concerns over “partnerships” such as casino construction, where locals are displaced to the extent that the town becomes essentially Chinese.²³ Despite contrary protestations, Vientiane appears willing to sacrifice individuals’ rights for the “greater good.”

HUMAN RIGHTS

The government of Laos claims to have mapped out a policy “governed by the rule of law, on promotion and protection of the fundamental rights of people of all strata.” It is party to many international instruments on human rights and is keen for membership in the Human Rights Council and the Executive Board of UNDP/UNFPA (United Nations Population Fund).²⁴ Yet, the Lao PDR remains an authoritarian regime focused on national interest and security rather than human equivalents. Many observers remain concerned about discrimination against, and mistreatment of, religious and minority groups, prisoners, and those forced into drug rehabilitation programs. Aid agencies and civil society groups are treated with huge suspicion, seen as political adversaries rather than partners in development.

Vientiane’s priorities were thrown into sharp relief in 2013 with an international outcry at the apparent government involvement in the December 2012 abduction and subsequent disappearance of human development coordinator Sombath Somphone.²⁵ Likewise, when nine young refugees from North Korea reached Laos on May 10, 2013, after a dangerous journey across the Chinese border, they were promptly returned to face imprisonment or even death. South Korean embassy officials in Laos were apparently denied access to them.

22. Jonathan Head, “Vietnam Firms Involved in ‘Illegal Land Grabs,’” BBC News, May 13, 2013, <<http://www.bbc.co.uk/news/world-asia-22509425>>.

23. Conor Woodman, “Fears over Growing Chinese Industry in Laos,” *ibid.*, <http://news.bbc.co.uk/2/hi/programmes/from_our_own_correspondent/9498760.stm>.

24. MOFA, “Statement by His Excellency Mr. Thongloun Sisoulith.”

25. Jonah Fisher, “Fears Grow for Abducted Laos Campaigner Sombath,” BBC News, April 30, 2013, <<http://www.bbc.co.uk/news/world-asia-22338101>>.