Finding Laos a place in the Asian Century

The rush to develop one of Asia's poorest countries is impoverishing the majority for the benefit of the few.

By Kearrin Sims

As we witness the ongoing economic crisis in Europe, China and India's growing global significance and increasing levels of interregional trade and investment across Asia, it is of little surprise that many people have begun speaking about the rise of an 'Asian Century'.

With the rapid development of transnational roads, railways and telecommunications and the spread of regional trade agreements, such as the China-ASEAN Free Trade Agreement, Asia is tying itself together in increasingly complex ways.

While Asia's rise and its growing interconnections have seen a wealth of scholarly inquiry, the vast majority of this research has focused on the more spectacular examples of Asia's rise—on Singapore, Shanghai, Seoul and Taipei.

But how is one of the region's less globally significant countries, Laos, being positioned—and positioning itself—within an increasingly interconnected Asia?

Representations of Laos as an isolated and unconnected backwater in need of regional connectivity have been a part of the country's history since at least the French colonial era. In colonial Indochina, as in Laos today, the development of regional transport infrastructures such as roads and railways were considered crucial to the promotion of economic growth (or economic extraction) and France's desires to engage in trade relations with southern China.

Although such aspirations for regional connectivity were to an extent put on hold during the Cold War era, over the past three decades the perceived need for Laos to become regionally integrated has grown exponentially.

It was in the early 1980s that the Lao Government began taking the first steps towards liberalising its economy and opening its borders to foreign trade flows. Since then, transforming Laos from a 'landlocked' to a 'landlinked' country has been a key component of the government's efforts to promote foreign investment and provide improved transportation networks for the country's exports.

New developments converge on old markets in Vientiane.

Driven increasingly by private investment and by Official Development Assistance (ODA) that has prioritised infrastructure-led economic growth, regional connectivity in Laos is being pursued in accordance with a technocratic and neoliberal approach to development—an approach that has shown only a marginal interest in education, healthcare or environmental degradation.

Current connectivity projects underway (or in the pipeline) in Laos include the North–South and East–West economic corridors (transnational highways), the development of Special Economic Zones, numerous airport upgrades, hydropower projects to provide electricity to neighbouring Thailand and ongoing plans to develop a regional railway network linking China to Singapore.

Since 1992, the supposed need for Laos to become increasingly interconnected with wider Asia has seen growing financial (and powerful discursive) support from the Asian Development

Continued page 11

Finding Laos a place in the 'Asian Century

From page 10

Bank (ADB) through its Greater Mekong Subregion (GMS) program, as well as a growth in ODA and foreign direct investment (FDI) from interregional Asian sources. This shift away from traditional Western donors has also seen a growth in private investment and an increase in infrastructure and urban development.

Perhaps the most significant change in Laos' development landscape over the past five years has been the growing interests of China. In 2010 China surpassed both Vietnam and Thailand as Laos' largest source of FDI. Chinese firms are undertaking projects all over northern Laos, from small-scale entrepreneurs selling cheap commodities, to rubber fields, banana plantations, hydropower projects and casino complexes.

In Vientiane, the much talked-about Vientiane New World, World Trade Centre and the That Luang Marshland developments are all contracted to Chinese firms, while in southern Laos the country's largest gold and copper mine is also Chinese-owned. Although not as significant as Japanese aid, Chinese aid has come to play an increasingly influential role in Laos and is now around three times that of US assistance.

Chinese financial assistance is responsible for the current upgrades of Luang Prabang and Vientiane airports, and for the ongoing work to complete the development of the Bangkok–Kunming North–South Economic Corridor. Chinese aid is expected to grow substantially in the next few years and cover as much as 75 per cent of the costs for the Singapore–Kunming high-speed rail project through Laos.

Aside from financial aid and private investment, there has been a growth in both Chinese migrants and Chinese tourists into Laos, and in the number of Lao students and government staff travelling to China.

Korean aid and investment are also coming to play an increasingly influential role. As Laos' fourth-biggest source of FDI, Korean investment has seen ventures into the country's banking sector through the creation of the Indochina Bank, the development of the Korean–Lao Kolao motorcycle company and one of Vientiane's largest apartment complexes.

Resettlement site, Vientiane.

Korean aid has increased by more than 1500 per cent since 1991 and has been responsible for a $34 million facelift to public space on Vientiane's riverfront, as well as for hydropower dam construction and the development of a children's hospital.

Future plans for a US$2 billion urban development near Luang Prabang's heritage core are also being implemented by 10 Korean companies. Other large-scale private investments include the development of a Taiwanese Specific Economic Zone and a Singaporean, Chinese, Hong Kong and Taiwanese megamall that are both under construction in the capital of Vientiane.

Such private sector investments are a growing component of the government's strategy to overcome the country's Least Developed Country status by 2020 and to develop Laos into more than just a 'corridor country' for regional exchange. Unfortunately, the implications of these projects for those adjacent communities have often been a story of poverty creation rather than poverty alleviation.

In order to bring Laos into the region as more than just a crossroads, the government and the ADB have sought to turn its major cities into regional nodes. This has not been a people-focused process; rather it has been concerned with infrastructure and industrial development and the creation of a

Continued page 12

Finding Laos a place in the 'Asian Century

From page 11

modern urban aesthetic. The result of this postKeynesian spatialisation has been not only to further marginalise the parts of the country that are not within these nodes or corridor sites, but also the growing displacement of the local communities within these key development sites—communities that are 'in the way' of progress and development.

Rather than 'uplifting' the poor, as so much of the rhetoric around these developments suggests, what has often occurred has been their marginalisation (both economically and spatially) to allow modern privatised developments to take place. In Vientiane, for example, the That Luang marshland, Don Chan Island and Nong Chan Lake have all been allocated to Chinese investment projects even though organisations such as the International Union for Conservation of Nature have argued that this will have a negative impact on the prefecture's hydrology, lead to increased flooding and a decrease in the food security of those who fish or grow vegetables in and around these sites.

Both the That Luang and Don Chan Island developments have seen hundreds of families displaced to a relocation site more with extremely poor soil more than 25 km from the city centre. Meanwhile, local markets are being torn down all over the city to make way for 'modern' shopping malls where many of the former small business owners in the area cannot afford to operate. In Luang Prabang, a Korean-owned golf course has seen a whole community displaced (and the imprisonment of villagers who protested against their relocation). The ongoing airport upgrade in the same province has resulted in more than 400 households being displaced, some of which were still living in tents without access to drinking water or electricity more than a year later. At the Chinese-owned casinos in northern Laos, displacement, prostitution, destitution-inducing gambling debts and reports of murder and torture have been a feature of these developments.

It is clear that a growth in Asian-led FDI and ODA has produced some impressive economic growth figures and brought connectivity to Laos at an increasingly rapid rate. Yet while both private investors and the ADB are quick to tell the 'success stories' of increasing interconnectivity, regional integration has never been the all-inclusive process that these actors like to suggest. As Laos continues to become drawn into the new spatial networks that are constantly emerging across Asia, the story on the ground is one of both increased and decreased mobility, integration and marginalisation, opportunity and disadvantage and inclusion and exclusion. This is not to try to suggest that there are not many people in Laos who do not want to see their country modernised and throw off the shame of Least Developed Country status to become a more prominent player in the Asian Century.

Many people do want to experience the opportunities that, they have been told, regionalism will bring them: greater employment opportunities, improvements in health and education facilities and greater access to the cheap commodities flooding in from China.

The concern is that, under current processes of regionalism in Laos (with their infrastructure obsession, private sector-led wealth accumulation for the non-poor and the linkage of key regional nodes that are located outside of Laos), the desire for modernity and development are, in too many cases, being met with new forms of poverty, marginalisation and disadvantage.

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Back to the top