



Martin Stuart-Fox
University of Queensland

**Politics and Reform in the
Lao People's Democratic Republic**

Working Paper No.126

November 2005

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National Library of Australia.
ISBN: 86905-961-0
ISSN: 1037-4612



INTRODUCTION

A process of economic liberalization and reform has been underway in the Lao People's Democratic Republic (Lao PDR) since the mid-1980s. This process was designed to modify the socialist command economy through a transitional phase that would progressively facilitate the play of market forces internally, and encourage foreign direct investment (FDI). Assistance has been provided for this process by the World Bank (WB), the Asian Development Bank (ADB) and the International Monetary Fund (IMF) in the form of information, assistance in drafting new laws, and financial support. This process continued through the 1990s with encouraging results up until the Asian economic crisis of 1997-98, the effect of which was not just to set back Lao economic development, but also to bring home to the conservative Lao ruling elite the perils, political as well as economic, associated with exposure to global market forces. One lesson learned was that inclusion in the global economy meant that Laos could not escape the social and political effects of international economic developments. Another was that in a time of trial, the Lao PDR could rely more on its ideological friends – the Socialist Republic of Vietnam (SRV) and the People's Republic of China (PRC) – than it could on those countries – notably Thailand, Japan and the capitalist West – from which it normally derived most economic assistance and most FDI.

The response of the regime was not to abort the reform process: a return to socialist planning was never an option given Lao membership of the Association of Southeast Asian Nations (ASEAN) (in July 1997), its commitment to the ASEAN Free Trade Area, and the direction of economic policy pursued in China and Vietnam (including membership of the World Trade Organization (WTO)). However the ageing and conservative leadership of former revolutionaries in Laos did become more cautious. A major consideration was fear that more rapid and radical economic reform would undermine both the legitimacy of the ruling Lao People's Revolutionary Party (LPRP) and the means by which it exercised its monopoly of political power.

I would like to thank Grant Evans and Michael Mann for commenting on earlier versions of this paper.

Several economic effects were particularly worrying for the Party. One was growing dissatisfaction among public servants and lower ranks in the military at the way in which inflation was eating into already meagre salaries. Another was the growing disparity between living standards of the lowland ethnic Lao (the so-called Lao Loum) and the highland minorities (the Lao Soung – mainly the Hmong – and the Lao Theung).¹ A third was the low level of government services, partly the result of equally low levels of government revenue. Of even greater concern, however, was that insistence on privatization of state-owned enterprises (SOEs) and introduction of greater transparency in government and accountability in the financial and banking sectors, for this threatened to reduce both opportunities for enrichment for senior Party members, and sources of patronage available to them.

The Asian economic crisis and concern over some of the social and political implications of the economic reform process were not the only reasons for the slowing pace of reform and failure of the process to produce expected outcomes. Despite a continuous flow of legislation, the rule of law is not yet widely accepted and applied in the Lao PDR. Evasion of laws and regulations is widespread, especially with respect to resource extraction, financial regulation and revenue collection. Nor have economic reforms engendered greater administrative transparency either in decision making within government or in transactions between government and the private sector, which continues to be hampered by political restrictions. Greater political openness, either in the form of freer political debate or in how the Party functions, is not on the agenda, let alone any move towards multi-party democracy.

The purpose of this paper is to identify and analyze some major political factors influencing the slow pace of economic reform in Laos, in order better to understand the frustrations and difficulties faced by those urging more rapid reform *as the necessary prerequisite for more rapid economic development*. In doing so, it focuses primarily on those political and social factors that most impinge on economic outcomes. These include Lao political culture, the structure of political power, centre-province relations, the

judiciary and the rule of law, civil society, ethnic minorities, politics and the economy, and external influences. It concludes by examining the peculiar problems associated with the transition of political power that is currently taking place in the lead up to the Eighth Congress of the LPRP scheduled for 2006. While a number of these factors relate specifically to the current regime, others, I would argue, would be likely to characterize the politics of any Lao ruling elite.

LAO POLITICAL CULTURE

Any understanding of the reform process in Laos, especially of the implications and outcomes of new policies and laws, has to begin with an understanding of Lao political culture and how this shapes political interaction, both between persons with unequal access to political power and between individual citizens and the institutions of the state, as this is currently constituted in the Lao People's Democratic Republic.

The core traditional political structure of all the Tai peoples (Lao, Thai, Shan, etc). was the *meuang* (a term now used to mean 'district').² *Meuang* were of variable extent, but they were not primarily territorial units. Smaller *meuang* were nested within larger *meuang*, and a variable set of larger *meuang* constituted *Meuang Lao*, the *mandala*³ that comprised all *meuang* that at any one time accepted the king of the Lao kingdom of Lan Xang as their sovereign. Each *meuang* was presided over by a *chao meuang*, or ruling prince, who was always drawn from the leading aristocratic family. He was supported by three other officials (including the *uparat*, or viceroy), all drawn either from the ruling family or from a collateral aristocratic family. All four officials fulfilled both civil and military tasks, depending on circumstances. Given the hierarchical social structure of the *meuang*, no commoner could ever expect to be appointed to one of these hereditary positions. That said, there was no great social distance between *chao meuang* and commoners, and the latter always had access to the former to plead for justice, relief of taxes, etc.

What held the *meuang* together as a political structure was personal loyalty. Commoners within the *meuang* were personally committed to their *chao* (lord) as the guarantor of their welfare. He was their protector, both from external threat and through ensuring social order. The *chao meuang* was responsible for administering and enforcing law within the *meuang*. Commoners owed him in return their labour, at certain times of year or on special occasions, and, in the case of males from 15 to 50, military service as and when demanded. A *chao meuang* signified his loyalty to a more powerful prince by publicly taking an oath and drinking the consecrated water of allegiance. In return for the prince's protection, each *chao meuang* provided tribute in the form of produce and military support in the form of a contingent of soldiers, led by one or more officials of the *meuang*. Powerful princes took a similar oath to the king, to whom they too owed tribute and military service. Given difficulties in communication and transportation, levels of tribute were often more symbolic than a means of economic extraction, and so seldom a burden to constituent *meuang*.

The strength of any *meuang*, and by extension of *Meuang Lao*, depended on its ability to concentrate wealth and power. That power was political (through the structure of personal allegiance outlined above); economic (from tribute, but also from agriculture, trade, mining, etc. in the region of the capital – first Luang Phrabang, later Viang Chan/Vientiane); military (in the form of levies raised from constituent *meuang* – to punish, or bring more distant *meuang* into the structure of allegiance and tribute); and ideological (to be discussed below). As the power of the centre increased, so did the extent of the *meuang*. But as the power of the centre waned (perhaps as the result of a succession dispute), distant *meuang* might withhold their allegiance and tribute, or, fearing the king could no longer offer adequate protection, transfer them to another, more powerful *mandala*. All depended, therefore, as in any political system, on the articulation of power.

Ideological power derived from legitimization. The right of *chao meuang*, and ultimately the king of Lan Xang, to exercise power depended on three sources of legitimization: on inheritance (in the case of the king of Lan Xang on direct descent from the mythical first

Lao ruler, Khun Borom); on the ‘consent’ of the spirit of the land (*phi meuang*, below which there was also a descending hierarchy of regional spirits), assured by proper propitiatory worship; and on Buddhism (particularly the notion of karma). Karma underwrote the stability of the Lao social structure. Whether one was born a commoner or an aristocrat, in a poor family or a rich and powerful one, depended solely on one’s personal accumulation of karma throughout innumerable previous existences. Karma thus not only explained one’s fortune in life, but also legitimized the exercise of power, for the perquisites of power were the just deserts of those born to it, as their personal right. All Lao believed, and still believe, that to accept one’s lot and to live in accordance with the precepts of Buddhism would improve one’s chances for a better future rebirth. Karma thus traditionally reinforced the hereditary principle underlying political leadership, and even today still makes for a degree of acceptance of the prevailing political order.

The political structure of the *mandala* of Lan Xang (Meuang Lao), resting as it did on personal allegiance and the transfer of tribute, was thus inherently weaker than East Asian bureaucratic states (China, Vietnam) or modern European states, whose writ extended to defined and defended borders. No officials were appointed by the centre to administer constituent *meuang*, or to collect tax (though the king might influence who inherited political office). Lao *meuang* were thus far more autonomous than were Chinese or Vietnamese provinces. They might independently enter into relations with other powers. Moreover, what happened within their jurisdictions depended on local laws and customs, whose application might be known to the centre only through the reports of spies and itinerant merchants.

Theoretically the king wielded absolute power, of life and death over his subjects and of ownership over the territories subject to him. In fact he was constrained both by the expectation that as a Buddhist monarch he would abide by the ten Buddhist precepts of just rule, and by his need for the support of the powerful members of the aristocracy and regional *chao meuang* who sat on the King’s Council. In cases where the code of royal conduct was flagrantly violated, a king might be deposed. In fact extreme autocratic behavior was quite rare in Lao history.⁴

Any event that weakened the power of the centre might reduce the extent of the *mandala*. The great succession struggle that followed the death in 1694 of King Surinyavongsa resulted in the division of Lan Xang into three constituent kingdoms of Luang Phrabang in the north, Viang Chan in the centre, and Champasak in the south, each of which became, over the next two centuries, the primary centres for the regional loyalties that are still so marked in Laos today.

The political culture of the *meuang* continued undiluted throughout the period of Siamese (Thai) domination from 1779 to 1893. The allegiances of Lao *chao meuang*, both from what is present-day Laos and from what is now the northeast of Thailand (Isan), were relatively easily transferred to the Chakri kings of Bangkok. Had an alternative centre of power arisen, they could just as easily have been transferred elsewhere, for political loyalties were above all personal, between powerful individuals and families. (Some Lao *meuang* paid tribute to Vietnam). Nor was the political culture of the *meuang* destroyed by the French colonial interlude from 1893 to 1945, for French administrative and political institutions were imposed on top of, rather than in place of, existing Lao political structures. Even in the more directly administered regions of central and southern Laos, aristocratic families remained in place, their status maintained, if not reinforced by the preferences accorded them by the French. In return, these families provided the principal political support for French rule. Moreover, despite the apparatus of French rule, the forces of modernization, in the form of an intrusive administration and capitalist exploitation, fell relatively lightly upon the Lao.⁵

The Kingdom of Laos lasted from 1946 to 1975. It based its political legitimacy in large part on its claimed continuity with the kingdom of Lan Xang, and drew powerful support from Buddhism. Karma continued to legitimize the right of those with wealth and power to rule, even in a democratic system. The political structure of a modern state did nothing to undermine the social standing and political influence of the principal aristocratic families and their extended clans of dependents and supporters. These clans comprised networks of social relationships, both hierarchical and horizontal, entailing recognized

reciprocal obligations. They functioned as patronage networks, the more ambitious of which established their own political parties. Patronage took the form of financial assistance, obtaining jobs in the civil service or private sector, or promotion in the army or bureaucracy, in return for political support. Powerful families were able to tap into the largesse of American aid, part of which they channelled to their entourage.

It appeared at first that the revolutionary movement that seized power at the end of 1975, known as the Pathet Lao, might herald the end of both the patronage-based political culture of the *meuang* and the influence of the powerful aristocratic families making up the old political elite. Two things, however, provided some inkling of what was to come. The first was the extent to which the Pathet Lao had made use of traditional Lao respect for the aristocrat elite in foregrounding members of the revolutionary movement from just those families. Prince Souphanouvong was the most obvious example, but there were others. The second was that though prominent members of politically influential families fled the country to exile abroad, other family members stayed on to care for property, and to greet and work with the new regime. Moreover many important families had members on both sides during the civil war.

At first the structure of the Lao People's Revolutionary Party (LPRP) promised to introduce a thoroughly modern approach to politics that would replace traditional Lao political culture. After all, membership of the aristocracy was a disadvantage for recruitment into a party of the proletariat. Very soon, however, the Party came to be perceived as being the principal avenue of social mobility for the ambitious and their principal source of patronage. Because the Pathet Lao had controlled mainly the mountainous parts of the country up until 1975, membership of the Party included a relatively large proportion of minority cadres. After 1975 recruitment concentrated on the lowland ethnic Lao population. Many of these new members were opportunists: none had been honed by years of revolutionary struggle. Nor were they required, as in Vietnam, to have a proper proletarian or peasant pedigree. They brought with them traditional Lao attitudes to authority and ways of accommodating power, and many soon turned their positions within the Party to their own interests.

After 1975, among the old revolutionary elite, some, like the founding secretary-general, Kaison (Kaysone) Phomvihane, continued to live relatively simply. Others took advantage of their new power to obtain property. Wives and families (even of Kaison) became conduits for requests for favours and preferences, and benefited accordingly. In other words, senior Party members soon began to dispense patronage in the traditional Lao way, rewarding extended family members and loyal retainers with favours and jobs, for which they were often poorly qualified, in order to build a political support base. This was a system those who had supported the former regime well understood. Remaining members of former aristocratic families moved to cement relations with powerful Party members, for example, through marriages between their children. Thus a new political and social elite began to take form, an alliance of new power with old wealth and social standing, which used the Party to promote family interests.⁶ This was reinforced in the next generation, as sons of senior Party members who took advantage of educational opportunities returned from overseas either to take up positions in government, or to go into business using their political contacts. Ironically this process of political-economic elite formation was powerfully assisted by the introduction of the economic reforms of the 1980s, known as the New Economic Mechanism (NEM). This reform was a political necessity, to address the deteriorating economic situation, but one unforeseen outcome was to allow some former aristocratic families to re-establish some economic influence, through family members who had remained in the country.

The example set by senior Party members, both in Vientiane and in the provinces, was soon adopted at all levels. Party members with access to the resources of the state appropriated some for themselves while dispensing others as patronage in the traditional Lao way. But whereas under the Royal Lao regime, powerful families competed for political influence and there was at least some residual notion of a bureaucracy in the service of the state, rather than of the ruling political party, in the Lao PDR the LPRP alone exercised political power and the bureaucracy functioned as a highly politicized arm of the Party. With no tradition of bureaucratic administration (as in China and

Vietnam), politics in Laos reverted to networks of influence and patronage (of the kind elsewhere described as clientelism, or crony politics).

Two other developments that characterized how the Pathet Lao came to exercise power during the period of revolutionary struggle contributed to the prevailing political culture. One derived from the structure of the revolutionary movement, the other from its mode of operation. The Pathet Lao was a communist movement, hierarchically structured and tightly disciplined along Leninist lines. At its core the Lao People's Revolutionary Party provided direction for both the broad Lao Patriotic Front and the guerrilla organization. Strict top-down discipline was justified not just by the circumstances of war, but also by communist ideology in the name of the 'dictatorship of the proletariat' and 'democratic centralism'. This whole structure was in fact most undemocratic, but it did mirror, and so both build upon and reinforce, traditional attitudes towards hierarchical political and social relationships. In terms of operation, the Pathet Lao enforced a high level of secrecy. Information was communicated on a strictly need-to-know basis, and cadres were required to accept and act upon instructions without question. Non-transparent, top-down decision making and obsessive secrecy were two elements that the Pathet Lao brought with them into government.

It took some time for the ethnic Lao population to adjust to the revolutionary politics of the new regime, but as new networks of influence and political patronage took shape, people soon recognized a system they understood and could operate within. As the system clearly works in the interest of powerful and wealthy families, members of the new social-political elite have little incentive to change it. Opposition comes from the educated and upwardly mobile whose interests are frustrated. The mass of the population tends to accept the system with a resignation that derives from the belief that it is the karma of those in power. After all, a good Buddhist in this lifetime may always be reborn into a politically powerful (and thus wealthy) family in the next.⁷ The system is well understood and manipulated by Thai businessmen, who account for by far the majority of small-scale FDI projects in Laos, and whose activities therefore encourage corruption. And it is a system increasingly manipulated by expatriate Lao investing in Laos. An

important negative impact not often remarked upon, however, is that as the political system has drawn increasingly on ethnic Lao political culture, so the political influence of minorities has steadily declined. Minority cadres may cultivate political patrons within the Party, but they lack the family links with powerful, predominantly ethnic Lao, senior politicians, and they lack social links with the ethnic Lao economic and commercial elite. (One exception has been the Hmong, at least those clans that supported the Pathet Lao during the 'thirty-year struggle' (1945-75). Hmong have significant representation in the upper echelons of the Party, especially by comparison with the Khamu, the largest of the Lao Theung tribes).

It should be stressed that although the LPRP has taken China and Vietnam as models for economic liberalization along with tight political control, the political culture of the Party in Laos, because it is so much smaller and because it draws on traditional Lao values and modes of social interaction, depends to a far greater extent on personal and family relationships and patronage. This is also the case in comparison with other Southeast Asian countries (with the obvious exception of Brunei). The political culture of the *meuang* depended entirely on personal relationships (within the *meuang*, and between lesser and more powerful *chao meuang*). Politics under the Royal Lao regime was just as much a matter of personal and family alliances, often reinforced through marriage. And the same is true of the LPDR.

THE STRUCTURE OF POLITICAL POWER

The Lao People's Revolutionary Party (LPRP) was founded on 22 March 1955 as the Lao People's Party, four years after formal dissolution of the Indochinese Communist Party. Its name was changed at the Second Party Congress in 1972.

The structure of the Party was, and remains, typical of communist parties of the Soviet model. The highest organ is the Political Bureau, which currently numbers ten members (with the death of one member who has not been replaced). The members of the Politburo

are elected from and by the Central Committee (CC) of the Party, which in turn is elected at the previous Party Congress. The Seventh Party Congress in March 2001 elected a Central Committee of 53 members (now 51).⁸ Until the Fifth Party Congress in 1991, the CC appointed a Secretariat, presided over by the Party secretary-general. This was abolished in 1991 when the leader of the Party took the title of president. The president of the Party is also currently State president. It is usual for the deputy State president also to be a member of the Politburo, as is the prime minister. Day-to-day Party affairs are handled by the Cabinet of the Central Committee and the Standing Member of the Politburo (at present General Choumali Sayason).

Since the formation of the LPDR in December 1975, all political power has been monopolized by the LPRP. Political dissent of even the most limited kind (in the form of political study groups, or small peaceful public demonstrations) is quickly suppressed, using the full coercive power of the State. Anyone with political ambitions, therefore, has no alternative but to join the Party.

The Party is not the only avenue of political (and social) advancement, but it is the principal one. The Buddhist monastic order still provides a traditional avenue to social status, while wealth accumulation provides another. It should be noted, however, that the Party keeps a close eye on the Sangha (the monastic order), and that anything more than a small-scale economic enterprise requires the proprietor to seek political support, usually through the patronage of a prominent Party member.

The Party proclaims its ideology as Marxist-Leninist, but like the ruling parties in China and Vietnam, this is now little more than lip service. In fact Marxism-Leninism always had shallow roots in Lao soil. Most senior Lao cadres studied their Marxism-Leninism in Vietnam, and relatively few texts have been translated into Lao. Laos is now best seen as an authoritarian one-party state, in which the Party presides over a relatively free market economy. The Party still has control of a number of State-owned enterprises (SOEs)⁹, some of which it has agreed, but has been unable, to sell and some of which it intends to keep for reasons of national security. As the Party maintains the regulatory system for

private enterprise, however, it also keeps close watch on the private economy. All substantial Lao-owned businesses in Laos have close political ties with the ruling Party.

The Party permeates and controls the four key institutions in the country: the government, the bureaucracy, mass organizations, and the military. In all four it is virtually *de rigueur* for leading figures to be Party members. In fact they would not be in those positions unless they were members of the Party. Party cells operate in all institutions, and there is active recruitment of promising young personnel into the Party, membership of which is by invitation only.

Laos is remarkable for the degree of overlap of the government and the Party. Ministerial appointments are decided by the Party, and endorsed (usually rubber stamped with minimal discussion) by the National Assembly. Members of the government are not necessarily drawn from the National Assembly; though some are deputies. Rather they are appointed by the Party, which they thus represent. As policy too is decided by the Party, the government is merely the executive arm of the Party. It takes no initiatives that are not first decided by the Politburo. Decisions are often taken, therefore, with the interests of the Party and its members, rather than the nation or society or the economy, as the primary consideration; that is, they are designed to maintain the power base of Party leaders and the pervasive political power of the Party itself. Ministers are appointed by the National Assembly on the recommendation of the prime minister. Each minister nominates deputy ministers and departmental heads within his ministry, who must then be approved by the Party leadership. The minister, deputy ministers and the president of the Party cell in the ministry (if this person is not the minister or a deputy minister) constitute the leadership group within the ministry.

The bureaucracy functions as the administrative arm of the Party. Party cells operate within every ministry, and within provincial administrations. Active involvement in the Party assists promotion within the bureaucracy. Anyone who is not a Party member fears the scrutiny of those who are. Civil servants at all levels are reluctant to take decisions without referring matters to their superiors. Doing nothing can be passed off as wisely

studying a proposal: making decisions opens one to criticism and censure. As a result relatively minor decisions are left to relatively senior officials. When these are absent from their desks for some reason, decisions are not made. As a result the civil service in Laos is sluggish and unresponsive, and the best way to get things done is through personal and political contacts with senior Party members. Those with the competency to make decisions are plied with private notes and telephone calls from politically influential figures (if not in their own right, then as a family member or close confidant of a politically powerful person). Favours done will be recalled in the future, but in the meanwhile payment will be expected for making the required decision. This may be made under-the-table, but it may also take the form of gifts at the wedding of a child, or at a *baci*, a traditional Lao ceremony performed on auspicious occasions. The functioning of the bureaucracy, therefore, depends upon the oil of politics, personal relationships, and compensatory payments. As transparency in decision-making would undermine this system, it is strongly opposed. (For the process of decision-making in the Lao PDR, see below).

The only mass organizations permitted in Laos are those directed by the Party. These number just four: the Lao Front for National Construction (LFNC), official trade unions gathered together under the banner of the Federation of Lao Trade Unions, the Lao Women's Union, and the Revolutionary Youth Union. Peasant associations also enjoy official backing. Of these mass organizations, the LFNC has the largest countrywide membership, though it has seen its influence decline as its purpose becomes less clear. Whereas its predecessor, the Lao Patriotic Front, had the urgent task of mobilizing the 'multiethnic' Lao population for revolutionary struggle, the LFNC does little more than promote national unity and the goals of the Party, and keep a lid on popular dissatisfaction. Members are supposed to promote 'collective mastery' and build 'national solidarity' as a means of constructing and defending the country – an 'action program' so vague as to be virtually meaningless. Organizations as well as individuals are members of the LFNC, most notably religious associations. This enables the Party to keep a close eye on religious affairs. In some respects the LFNC has become a sort of safety valve absorbing the energy and activity of those not privileged to be members of

the Party, in particular ethnic minorities for whom participation in the Front is supposed to compensate for their declining representation in the Party. The LFNC still goes through the motions: it holds meetings and national congresses every five years. Its leaders enjoy titles and some official perks. But nothing can hide its declining political relevance.

The Lao trade union movement is tightly controlled by the Party. Its principal purpose is to monitor the growing Lao industrial labor force and to keep wages at a level low enough to encourage foreign investment in such industries as textiles and light manufacturing. No free, worker-organized unions are allowed to operate. Probably the most active mass organization is the Lao Women's Union (LWU), which holds meetings and workshops for women across the country. In a country still overwhelmingly male dominated, the LWU provides the only opportunity for women to organize and press for recognition. In this it operates as the closest thing Laos has to a genuine pressure group bringing women's issues to the attention of the Party. This is particularly necessary since women are so poorly represented in the upper echelons of the Party. Only three out of 52 members of the Central Committee are women (none in the Politburo; none in the government at ministerial level). One woman has served as governor of a province (Xiang Khuang). Women are better represented in the National Assembly (20 out of 109 members), where Madame Pani Yathotou, a Hmong, is a deputy president. Women are far more influential in Lao society than their political representation would indicate, however. The wives of a number of senior Party officials are active in the LWU, and wives in particular have always served as a conduit for those seeking political favours. Finally the Revolutionary Youth Union (RYU) is active in schools, where it serves as a recruiting ground for the Party. Though it does organize youth activities, it serves principally as a means of political indoctrination of young Lao.

If the overlap between the Party and government is all but complete (only one minister, Khammouan Boupoua, the minister for justice, is reportedly not a member of the Party), so too is the overlap between the Party and the Army. Eight out of eleven members of the Politburo elected in 2001 were former or serving military officers. With the death of Lt-

Gen Osakhan Thammatheva, this was reduced to seven, but the dominance of the Army at the highest level of the Party remains remarkable. The party and State president, president of the National Assembly, State vice-president and the prime minister are all former high-ranking Army officers. Representation in the rest of the Central Committee is considerably less, with only four more military officers currently included. On the other hand, Party control of the Army is pervasive: almost all Army officers are Party members. Army support for the Party, which extends to the Security Ministry and the police, provides the Party with its monopoly of coercive power and guarantees that Laos is, and will remain, a one-party state.

The Ministry of Defense forms part of the government, but the minister is always a senior serving general. Control over Defense is not, however, exercised by the government, but by the Military Committee of the Party. Thus in Laos the military operates not under the overall direction of the prime minister, but rather of the president of the Party.

The upper ranks of the Lao military are still dominated by men who fought in the revolutionary struggle that brought the LPRP to power. During that time they worked closely with the Vietnamese military, with whom they have maintained close relations. They are conservative in their views and suspicious of any reform that might weaken the power of the Party or the influence of the Army. Military influence is felt in two areas in particular of Party policy, over and above defense and security: in economic reform and international relations. Both impact directly on Army interests, through the economic enterprises still controlled by the military, but both also have broader implications. The international relations dimension will be discussed below. Here I shall confine myself to the economic dimension of Party-Army relations.

Let me begin with a disclaimer: as both the Party and the Army in Laos are highly secretive organizations, neither of which is transparent in the way it arrives at decisions, any discussion of the relationship between them must be largely speculative. No channels of communication between the Army and the Party are made known to the public – for example, in the form of submissions to Party conferences or to government. Budget

papers do include disbursement for the Ministry of Defense, but figures may not be accurate. Military expenditure has been steadily rising since 1999, even though Laos faces no apparent external threat. Any increasing costs must therefore relate to internal unrest. Military expenditure amounted to 9% of the State budget in the financial year 2001-2002, rising to 10.1 per cent in 2002-2003.¹⁰ This figure covers salaries, operation and maintenance, but greatly underestimates total revenue since this derives also from military-owned and operated economic enterprises, and from contracts and agreements that the military negotiates internationally, especially with the military in Vietnam. The prototype for the three umbrella enterprises that together covered the entire country was the Mountainous Area Development Corporation (MADC – also known as BPKP, the initials of its title in Lao). Established in 1984 with its headquarters at Lak Xao in Borikhamxai province, MADC exploited timber concessions in central Laos, and later branched out into other activities, including mining, saw milling, transportation and import-export, mainly through Vietnam. Subsequently two additional military controlled SOEs were established to carry out similar activities in the north (the Agriculture, Forestry and Development Company - AFD) and south (the Development of Agriculture, Forestry and Industry Company – DAFI) of the country. No turnover figures for these companies were ever published, though proceeds were supposed to cover arms purchases among other military expenses.

The scandalously high debts and accounting irregularities of the MADC forced the government to place it under the control of the Ministry of Finance (reportedly after pressure from international institutions). The government is also under pressure to restructure one of the other two Army-controlled SOEs (DAFI). This the military have been vigorously resisting, fearing the loss of an important source of income for senior officers.¹¹ Under one set of restructuring proposals, the military, however, would retain its interests in forestry and transportation, but relinquish its other commercial interests to be taken up by the private sector (most likely in conjunction with senior army officers). The economic power of the military will thus still remain considerable, protected by the political influence it exercises within the Party through the access army officers have to senior, ex-military Party officials. It should be noted that this influence of the Army on

the Party is exercised through a quintessentially Lao network of personal relationships that is almost impossible to pin down. It is reinforced by the external links the Army fosters, especially with the Vietnamese military. But how long the Army's current level of influence can be maintained remains to be seen.

CENTRE-PROVINCE RELATIONS

Decentralization is a project currently being considered by several international NGOs and agencies in response to a set of policies outlined by the Lao government that envisage transferring much of the responsibility for development planning and budgeting to local administrations.¹² The hope is that this would stimulate regional development and reduce poverty in rural communities. The policy envisages empowering local communities to take control of their own resources and to develop them in their own interests, thereby promoting more evenly the benefits of economic growth. As such it is wholly admirable in conception. In the Lao context, however, such a policy must take account of the history of centre-province relations and how these have played out in the LPDR. It is also necessary to keep in mind how provincial and local administration functions, given Lao political culture, and to ask what lies behind such policies and what their effect might be.¹³ So a little history is in order.

From the early eighteenth to the late nineteenth centuries, the Lao territories were divided between three (Luang Phrabang, Viang Chan and Champasak) and sometimes four (with the addition of Xiang Khouang) separate kingdoms. While the three at least stressed their historic ties with the earlier inclusive kingdom of Lan Xang, each served as the focus for regional loyalties (to the *meuang*) that had always been intense. The French perpetuated this division by recognizing the separate status of Luang Phrabang as a protectorate, still ruled by the Luang Phrabang royal family under French supervision. This compared with the directly administered central and southern parts of the country. The royal family of Viang Chan had been eliminated by the Siamese; that of Champasak was accorded princely status. It was the Lao independence movement that first re-established the unity of Laos in 1945, not France.

Under the Royal Lao regime, governments were always careful to maintain ministerial balance between northern, central and southern Laos. Regional loyalties remained intense and regional representatives jealously guarded their presumed rights. Poor communications and the structure of Vietnamese support for the Lao revolutionary movement meant that the Pathet Lao too was organized on a regional basis. The Central committee of the Party issued broad guidelines, but how they were applied in each region was largely up to local commanders. The same applied to the last phase of 'liberation' in 1975. In each provincial capital power fell into the hands of regional commanders who, though Party members, had no intention of relinquishing their newly won powers to the government in Vientiane. Chairmen of provincial administrative committees (later governors) had ministerial rank and were answerable directly to the prime minister (not to the minister of the interior, as under the Royal Lao regime). In the early years of the LPDR, as the economy collapsed, provinces were required to be self-sufficient. They thereby gained a high degree of autonomy in their economic and financial affairs, which they defended to the point where central government officials, along with other visitors, had to obtain permission from the provincial authorities before they set foot in a province.¹⁴

The early years of the LPDR also saw marked differences in how policies to dismember the old order and bring about the transition to socialism were applied in different provinces. Social controls were enforced with greater vigour in some provinces than in others. Some of this was competitive, but much was due to the whim of local officials. Central officials might pay visits amid much ceremony, but once they left, both central and provincial leaders knew where local power would lie. The pretence of strong central direction was kept up for the sake of appearances and Party unity. This is still largely true. Provincial governors obediently accept Party decisions, but often interpret them as they see fit. Visits by high-ranking central Party officials (Politburo members) result in warm smiles and broad agreement on policy, but once they leave, the governor is again in charge. The obverse of the discipline of the Party and democratic centralism is the semi-anarchism of provincial autonomy that can all too often result in flouted laws, false

reporting of statistics (especially in relation to revenue collection and the import and export of commodities), and outright corruption. This is a situation the central government is well aware of, but is not easily able to address.

The change of direction heralded by the New Economic Mechanism was accompanied by an even more overt policy of decentralization. Provincial governments were given greater control over provincial revenues and budgets, and were permitted to conclude trade agreements with foreign states with which they shared a common border. Even the State Bank was decentralized, with branch managers appointed by local authorities.¹⁵ A percentage of revenue was supposed to go to the central government, with most being retained by the province to fund services, including health and education, that were no longer supervised by central ministries. Provincial administrations were ill-equipped, however, to take on these new responsibilities. Lack of expertise meant that contracts were concluded for resource extraction (mainly unsawn timber) at below-market prices to obtain immediate returns. Revenue was often diverted by powerful local officials for their personal consumption, and little was remitted to central government coffers. Local branches of the State Bank were milked for loans that were never repaid.

Even where provincial officials tried honestly to shoulder their new responsibilities, they lacked the necessary trained personnel and delivery systems. In the case of poorer provinces, revenues failed to meet expenditures, so that services were inequitably provided from province to province. As provincial revenues were used for the benefit of Party members, teachers and health workers were left unpaid and without systemic support, especially those in more remote regions. Many turned to other employment just to survive, and services collapsed.

By mid-1989 the central government had virtually lost control over what was going on in the provinces. No effective monitoring systems were in place to ensure that national priorities and targets were met. Nor was there any effective oversight of provincial revenue and expenditure by the Ministry of Finance. As a result, greater powers of patronage accrued to provincial officials, particularly to province governors, who used it

to influence elections for people's councils and administrative committees at the various levels of local government, and so to reinforce their political power and control.¹⁶

In response to the growing administrative chaos, the Party centre decided on a course of radical re-centralization, not least in order to reassert its own authority. Its vehicle was the Constitution, finally enacted in August 1991, but the result was to seriously set back local government and democratic participation at the local level. Sub-districts (*tassaeng*) were abolished entirely as a level of local administration, thus opening up a gap between villages and the district. That this gap is often too large is indicated by the increase in the number of districts over the past decade (from 112 to 141). More serious, however, was the abolition of people's councils and administrative committees at the remaining levels of administration (province, district and village). This effectively eliminated popular participation in local government and reinforced the power of the Party. The Constitution allowed only for election of a National Assembly, one of whose tasks was to approve an annual budget detailing all revenues and expenditures of each ministry of the central government and each province. (As of 2002, budget papers have been published in both English and French). At the same time, responsibility for field staff reverted to their respective ministries (Education, Public Health, Agriculture, etc).

Re-centralization ran up against entrenched provincial interests, and took time to apply. The heart of the process lay with the Party, rather than the government. Since provincial administrative committees no longer existed, provincial Party secretaries concurrently became provincial governors. All were brought into the Central Committee, where they were subject to the discipline of the Party, but where they were also in a position to debate and influence central Party policy.¹⁷ At the same time, their authority was strengthened by the elimination of provincial and district electoral processes that had previously allowed at least some popular participation. As a result provincial Party officials effectively gained greater control at the district level, by ensuring appointment of preferred candidates as village chiefs (*nai ban*).

Under the current system, provincial governors are officially appointed by the state president on the recommendation of the prime minister. Deputy governors are appointed by the prime minister, while heads of district administrations are appointed by provincial governors. In fact all appointments are first determined by the Party. District officials are therefore, like provincial governors, Party members representing Party interests rather than those of local communities. Only at the village level is an election held for the village chief (with no supporting village council). This is closely supervised by the district authorities, who are responsible for drawing up a short list of acceptable candidates. Effectively therefore the village chief has become less a representative of the villagers and more a representative of the district administration in the village (in other words, of the Party and the state). In fact virtually all village chiefs must now be Party members. A recent decision makes village chiefs responsible for tax collection for the government. As many villages are quite small (with as few as 100 inhabitants or 21 households), village chiefs, particularly of minority villages, tend to lack political influence at the district level, and so are able to do little or nothing for their villages. Their role is to inform villagers of their duties and responsibilities, not to promote their rights and interests.

Re-centralization deprived provinces of financial autonomy as a way both of stemming the haemorrhage of revenue and of asserting the authority of the central organs of the Party (the Political Bureau and the Central Committee). Oversight of provincial administration was vested in the Office of the Prime Minister. As appointment to senior provincial administrative positions required Party membership, all administrative power remained in the hands of the Party. So too, de facto, did judicial authority, as the legal system also functioned only with the agreement of the Party (see below). In fact, therefore, because re-centralization was effected through the Party, and because the Party monopolized administrative as well as political power, the power of provincial governors was reinforced. Provincial budgets might be centrally published, but once funds got to the provinces distribution was in the hands of provincial authorities.

The point to note is that though decentralization increased provincial autonomy, re-centralization reduced it very little. Its two most positive features were first to restore the control of ministries over their field staff (teachers, health workers, etc), and particularly their recruitment, training and remuneration; and second to reduce inequalities between provinces by centrally allocating resources from the highest income provinces (those remitting surplus revenue to the national budget) to those most in need. Any new move towards decentralization would threaten to undermine both these achievements without reducing the power of the Party (which is what aid donors and lenders find most frustrating). It is also almost certain to increase the level of corruption.¹⁸ A better way to ensure that the benefits of economic and human resource development are more evenly spread would be to reintroduce popular participation in the political process by reinstating people's councils at the village, district and provincial levels and incorporating them in law, not decentralization of financial and planning responsibilities to already powerful provincial governors.

One recent development might suggest that the Party is moving tentatively in this direction. Since September 2001, legislation has been before the National Assembly to permit municipal elections to be held in four cities – Luang Phrabang, Thakhek, Savannakhet and Pakse – as a pilot program in local government. In May 2003, this was agreed in principle, with elections to take place, after the necessary preparations, in 2004. If the experiment proves successful (the new authorities must collect revenue and budget for municipal works and services), it will be extended to other provinces. Too much should not be read into this, however. In these major towns the electoral process will be under the close scrutiny and supervision of the Party, and there is no certainty that even if successful (however judged, over whatever time frame) elected local government councils will be introduced at the district or village levels.

One must ask why the Party/government is prepared to embark on a new round of decentralization, given what happened in the late 1980s, but is so reluctant to move towards participatory democracy at the local government level (apart from selected municipalities)? The answer, of course, has to do with keeping power in the hands of the

Party. Decentralization plays to the interests of regionally powerful figures in the Party, by providing them with resources to provide patronage to Party members, in part, it may not be too cynical to suggest, to compensate them for those lost through the privatization and structural reform of SOEs. Decentralization as envisaged by the LPRP will not transfer any political power outside the Party. Local authorities may be given ‘full responsibility’¹⁹ for implementing local development projects, but those responsible will be for the most part Party members, and the Party will be in charge of ‘reorganis[ing] the activities and leadership of rural development committees’.²⁰ This merely reinforces the conclusion that decentralization is seen by the Party as a means of increasing, not reducing, its power at the local level, a process that might easily be undermined if village and district councils were to be popularly elected.

LEGAL REFORM AND THE RULE OF LAW

After formation of the LPDR, ‘socialist law’ replaced the legal system of the previous Royal Lao regime. ‘Revolutionary justice’ was meted out by ‘people’s tribunals’ in accordance with directives handed down by the Party. But as regional Party leaders were free to interpret directives as they saw fit, no uniform body of law applied across the country. Moreover, apart from criminal cases, the principal purpose of ‘people’s tribunals’ was to suppress all opposition to the new regime.

Excesses frequently occurred in the early years, one of which was arbitrary arrest by the authorities of anyone suspected, often on the flimsiest of hearsay evidence, of opposing the regime. To remedy this, a decree was signed by Party leader Kaison Phomvihan in 1978 forbidding the arrest of anyone without an order from a tribunal, and instructing that all arrests were to be carried out during the day. This decree did little to alleviate the problem for two reasons that have continued to apply through to the present day. The first was that the Party and government failed to make the decree widely known, even among those responsible for law enforcement. The second was that Party leaders considered themselves above the law. Indeed by virtue of the power they wielded, they believed they

were the law. Legal decisions were decided on the basis of Party policy, not legal statutes.²¹

Not until January 1983 was a Supreme People's Court established to deal with important cases and act as a court of appeals to review decisions taken by provincial courts. New civil and criminal codes were at last promulgated in 1989 and 1990, with the assistance of foreign legal advisers; but only when the Constitution of the LPDR was finally enacted in August 1991 was the Lao legal system provided with proper constitutional underpinning.

Since the inception of the New Economic Mechanism in 1986, some fifty laws have been adopted, initially by the Supreme People's Assembly and since 1992 by the National Assembly. Most of these laws were prepared with the assistance of foreign experts, not all of whom bothered to acquaint themselves with the specific conditions of the country. Particular attention has been paid to developing a corpus of commercial law to serve as a basis to encourage foreign investment.

The Party and government have made it clear on innumerable occasions that they are committed to establishing the rule of law in Laos. Increasingly educated and informed Lao in the urban centres do refer to the law to defend themselves or others against arbitrary decisions or actions by Party and government officials. But these educated few constitute a small minority. In rural areas the Party determines the law.

The flood of new laws has made it difficult for officials to master and apply them. Even in the Ministry of Justice and among the few professional lawyers, knowledge of the new laws and their application is sketchy. The interpretation of some laws is unclear and requires testing in a constitutional court, which under the Lao constitution is unavailable. Whether or not a law is constitutional or an interpretation valid is decided by the Standing Committee of the National Assembly, comprising the president and vice-president, plus the presidents of the six NA commissions. Because the enacted body of law remains little known and understood, many laws remain poorly implemented. Indeed

even high-ranking officials in the Justice Ministry concede that few, if any, of the laws so far passed have been fully implemented.²²

Establishment of the rule of law in Laos has encountered a number of difficulties. It has been estimated by one legal practitioner that one in ten decisions taken by the courts in Vientiane is on the basis of corrupt payment or personal influence. This is probably an underestimate, for decisions are rarely taken on the basis of coded laws and regulations alone. Two other factors influence judgments: conformity with current policy of the Party, often pointed out by Party officials seeking a particular outcome; and attempts by interested parties to bring extra-legal pressure to bear in the form of personal visits, telephone calls and written notes (less often, as these can be incriminating) from politically powerful friends or relatives. As the Lao say, winning a legal case, especially in a civil dispute, depends on who has ‘the strongest string.’

A major difficulty in enforcing the rule of law is that laws and regulations are not well known, even by those responsible for applying them. Senior Lao civil servants and officials (for example, in mass organizations) are too busy with the flood of papers they have to read and sign, the seminars and meetings they have to attend, and the visitors they have to meet, to master the complexities of laws drafted in precise legal language. All too often the texts of laws and regulations are simply filed away.

Some of the laws drafted by foreign experts, in English or French, remain untranslated into Lao for years because so few Justice Ministry officials have sufficient legal training and language skills to do the job. A good example was the land law, drawn up in English and left to languish for several years.

Another problem is the unavailability of Lao language texts of laws, even after they have been passed by the National Assembly. The text of amendments to the Constitution passed by the National Assembly in May 2003 were still not publicly available more than six months later, not even from the Ministry of Justice. Nor were there translations into English or French, which are supposed to be published in the government’s Official

Gazette. Partly this is due to overwork, partly to inefficiency, partly to the reluctance of junior civil servants to take decisions to release information to those who might not have the right to see it. Everything must be referred to over-busy higher authorities, which causes long delays, and there is a reluctance on the part of officials to distribute official documents.

An unofficial translation of the Amended Constitution (2003) made available to the author revealed a Westminster-like system in which the National Assembly, representing the interest of the people (Article 4), elects both the president (to represent the State) and the prime minister (on the recommendation of the president). It also appoints the president of the Supreme People's Court and the People's Prosecutor, who in turn appoint and preside over a supposedly independent judiciary. The Prosecutor's Office is supposed to monitor implementation of the law by the government, all its instrumentalities, mass organizations and the people generally, and to take them to court for any transgressions. As yet, no government department has been charged with any breach of any law. Some individuals were charged with corruption and imprisoned in 1983-84,²³ but no high officials have been charged since, not even after the State Prosecutor publicly criticized the mismanagement and massive irregularities in the construction of irrigation and other infrastructure projects (in a report to the National Assembly).²⁴ This compares with much more recent trials and convictions of high-ranking officials for corruption in both China and Vietnam. All that has happened by way of punishment of spectacularly corrupt high Lao Party officials is that they have been reprimanded, transferred and demoted in the Party ranking, which has not precluded their later return to powerful positions in government.²⁵

Part of the problem is that while an independent judiciary exists in theory, in practice the unchanged Article 5 of the 1991 Constitution still applies. This enshrines democratic centralism as the guiding principle in the functioning of all the organs of the state. This has officially been defined as 'working and taking decisions as a committee, while accepting individual responsibility, with the lower levels dependent on the higher levels' (within any organization).²⁶ In fact, democratic centralism is not the mode of functioning

of the state, but of the organization not mentioned in the Constitution at all – the LPRP. While democratic centralism applies, an independent judiciary and rule of law remain chimeras, for its application rests on a system of rewards and punishments that are extra-legal.

No adequate budget is available to translate, print, distribute or explain new laws. The Justice Ministry actually had to contract a debt with the National Printing Office in order to prepare documents and draft laws to present to members of the National Assembly. When the *Vientiane Times* published an article on ADB assistance that had been provided to ameliorate this situation, the head of the relevant department disclaimed all knowledge of any such assistance.

No channels exist for making new laws known to the people, apart from a column in the Party newspaper. As most of the population outside the main urban areas cannot read, they know nothing about existing laws, and so do not refer to them to claim their rights. Instead they resort to the methods they understand: the influence of friends, relatives and patrons, and the payment of bribes. Attempts by international organizations and NGOs to raise awareness of law, especially in the provinces, are welcome, but as yet have had only minimal effect. In fact, in some cases the effect of new laws has actually been to increase corruption as those affected must then pay off officials not to apply them.

Finally it should be noted that judgments on all important cases are routinely submitted to senior Party leaders, which in the provinces means to the provincial governor, before being handed down. Just as there is no distinction in Laos between the Party and the government or administration, so there is no distinction between the Party and the judiciary. In September 2003, the National Assembly passed an amendment to the law on the Supreme Court, which would see judges appointed by the court rather than by the Ministry of Justice or the governor of the province. But this is unlikely to change matters greatly because the Court itself is not independent of the Party.

Law in Laos is determined on three levels: by reference to Party policy (in Lao *nayobay*, a term which has taken on the additional meaning of bending the law in cases where a 'policy ruling' is made in favour of an individual); by reference to the written text as passed by the National Assembly; and in response to those who are in a position to influence a legal outcome. The third is the most efficacious and widespread means, but as a result legal authorities may find themselves evaluating a case not on the basis of the law as it stands, but on which of two conflicting sets of phone calls and other private interventions represents the more powerful political interests. Failure to get this right has cost some justice officials their jobs.

Until such time as there exists a body of independent professional lawyers and the court system is fully independent of the Party, legal reform will continue to be incomplete. This is not to say that incremental improvements are not being made. A body of law is slowly being developed and applied in the courts. To be more broadly accepted, however, a separation of powers will be necessary between the judiciary and the Party. Moreover, general acceptance and application of the rule of law will require a much better educated population than exists at present. Conservatively it will require another generation before the rule of law is widely accepted and applied in Laos – and even then law is unlikely to be free of patronage politics.

CIVIL SOCIETY

Civil society usually refers to the combined activities of all those organizations, associations and groups that are constituted by their members in accordance with defined legal procedures. They may be registered by the state, but they do not depend upon it and are autonomous from it. Essentially their purpose is to promote the interests of their members. These interests may be in support of or opposed to the policies of government or any political party. The organizations and associations constituting civil society are free to publicize their interests and programs, argue for them, and lobby government in support of them.

So defined, Laos is virtually devoid of civil society. According to the Lao constitution, citizens have the right to form associations, providing these do not contravene the law. Just what constitutes such contravention is nowhere spelled out. Nor does any legal basis exist for the establishment of such associations. Legal associations and organizations consist solely of those established or authorized by the Party and the State.

The Lao authorities (which means the LPRP) have made it abundantly clear that their conception of civil society, when they use the term, covers only those organizations whose interests conform to those of the Party and the state. These interests include the maintenance of national solidarity, protection of the security of the state and its citizens, alleviation of poverty through human and economic development, and, even if not stated, maintenance of the political monopoly of the Party. In the view of the Party, relations between the state (government), communal associations (civil society) and private economic enterprise should harmoniously work to one end – as defined by the Party. Interests that conflict with those of the Party or which lead to social confrontation should be suppressed.²⁷

The official mass organizations established and directed by the Party have been discussed above. They are under close Party control, and their leaders, even in the case of the Lao People's Revolutionary Youth, are members of the Central Committee of the Party. They are, therefore, political organizations and do not constitute elements of civil society.

There are, however, four sets of organizations that might count as elements of civil society. These are: religious, particularly Buddhist, associations; education support groups; sporting organizations; and economic and development support organizations. Despite the fact that freedom of religion is guaranteed in the Lao constitution, Christian congregations in particular are closely monitored by State authorities, and a number of arrests have taken place. To the extent that Lao Christians have contacts with, and are in any way dependent upon, parent international organizations, they are seen as potential threats to the unity, and even security, of the State (see above). Their only remotely

political activity has been to call for freedom of worship in conformity with the constitution.

The Lao United Buddhists Association (LUBA) is the officially sponsored organization to which all monks in Laos belong. It is a member organization of the LFNC, to whose 'action program' it contributes. Through the LUBA, the Party keeps a close watch on Lao monks to ensure that the Lao monastic order (*Sangha*) does not become a node of opposition to the regime (as, for example, the Catholic Church did in Poland). The only other groups associated with Buddhism are the ad hoc organizations formed, under the direction of monks, to organize Buddhist festivals in local temples (*vats*). These purely religious functions are tolerated by the regime, and often include Party members on their organizing committees. All Party members, up to the Politburo, attend major Buddhist celebrations.

Equally ad hoc groups of parents may form to organize school events, perhaps to repair school property, or to raise money for some educational purpose. These are tolerated by the regime. So too are students who come together to form sporting associations, often under the auspices of the Revolutionary Youth Union. Sporting teams are encouraged by the regime and, like educational associations, hardly count as contributing to civil society. Of greater concern are more politically aware tertiary students at The National University of Laos (NUOL). Associations with overt political purposes have formed there on occasion, involving both young lecturers and students. In October 1999, a group of students attempted to hold a small and peaceful demonstration in downtown Vientiane, but were immediately arrested. Ringleaders are still imprisoned,²⁸ while authorities keep a close watch on NUOL. Since then there have been no indications of formal political opposition.

Authorities are particularly determined to prevent establishment of branches of any of the political and cultural organizations formed by expatriate Lao, mainly in the United States, France, Australia and Canada. Most of these are strongly opposed to the LPDR and the LPRP, and seek a return of the Lao monarchy in the figure of the grandson of the last Lao

king. Because no soundings can be taken, the extent of monarchist sentiment in Laos is unknown.²⁹ What is clear, however, is that the present ruling elite, both political and economic, is unenthusiastic about the return of overseas Lao in any great numbers, for fear of the potential political challenge they might represent. Laos does not allow dual citizenship, and government policies have not sought to make use of either the talents or expertise of expatriate Lao.

Examples of organizations to support groups of producers or to encourage economic development include fishermen (for example, at the Khon falls) and an association to press for rural credit for farmers. Such associations gain government endorsement relatively easily. By contrast, associations bringing together intellectuals who might criticize the government or the Party find it almost impossible to obtain official approval. For example, attempts to establish a Chao Anou Foundation to promote popular discussion about the historical role and importance of the last king of Vientiane have failed to get approval from the Ministry of Information and Culture, and informal inquiries about setting up an association for the study of Lao history have been firmly rebuffed.

In view of the above, one must conclude that even the rudiments of civil society barely exist in Laos. No legal basis exists for free associations of citizens and all media are tightly controlled. Despite the constitution, therefore, the very prerequisites of civil society – free speech, free association, free press – simply do not exist in the LPDR. Nor are they likely to in the foreseeable future.

That said, some loosening up of social controls has occurred. The press, while still closely controlled by the Party (see Article 23 of the amended Constitution), has taken up such matters as what should be done about illegal logging and prostitution – matters which were taboo until relatively recently.³⁰ Articles have even appeared in the Party media denouncing corruption as a ‘chronic problem’ that is undermining the revolution.³¹ Personal liberties have also improved for some social groups (sex workers, gays), and much greater contact is now permitted between Lao and foreigners. Greater discussion is

also allowed both by members of the National Assembly and within government departments. These are small liberties, but they do point to some relaxation of the iron grip of the Party.

ETHNIC MINORITIES

By one estimate, lowland ethnic Lao constitute only 30% of the population of the LPDR.³² With the addition of other Tai ethno-linguistic groups (upland Tai, Lue, Phuan, Tai Neua), this figure increases to 66.5%. This still leaves one third of the population made up of Austroasiatic (23.5%), Hmong-Mien (7.5%) and Sino-Tibetan (2.7%) minority groups – a percentage larger than for any other Southeast Asian nation.

While certain traditional rituals recognized occupation by Austroasiatic peoples of Lao territory prior to the arrival of the Lao, and the influence they had over the spirits (*phi*) of the land, minorities were traditionally treated as inferior and socially marginalized. This pattern continued during both the French and Royal Lao periods, despite the symbolic inclusion of the first Hmong deputy minister, and the appointment of the first Hmong army general.

During the ‘thirty-year struggle’ from 1945 to 1975, the Pathet Lao were almost entirely confined to the mountainous north and east of Laos – precisely those parts of the country inhabited by minority groups. The revolutionary movement was thus highly dependent on the goodwill of the minorities. Members of minority groups served as porters and support personnel for the Pathet Lao, were recruited into the armed forces, and, though to a lesser extent, joined the Lao People’s Party. Thus though they suffered far more than did the lowland Lao from the effects of war, for the first time they played a significant role in the politics and history of the country. For this they expected some return when victory was won, and in the early years of the LPDR some attempt was made to extend services to remote villages. This did not last, however, which has led to resentment in minority communities. Ironically, interest by aid donors in the plight of minorities has taken some

of the pressure off the government, which has been able to direct projects to particular villages and take the credit.

It should be noted that the Pathet Lao never set up or promised to create autonomous areas for minority groups, as in China or Vietnam (where they were later abolished). Instead the Pathet Lao offered the minorities the opportunity to take part in the political life of the country, through joining the dominant institutions, the Party and the Army, and rising through the promotional hierarchy. Minority cadres also had the opportunity to fill administrative positions in areas where they formed the majority of the population (as in Phongsali and Xekong). (In some provinces administrative assistance has been provided by minority cadres from Vietnam, though this has never been publicly acknowledged).

After 1975, two developments occurred which had the effect of reducing the prominence of minorities in the organs of power and in the policy decisions of the new regime. The first has been referred to already – preferential recruitment of ethnic Lao into the Party and the Army. The second was to relegate minority policy to a separate Nationalities Committee, presided over by a president who, though Hmong, carried little political weight. This tended to marginalize minorities instead of including them more centrally in the political institutions and culture of the LPDR. Moreover, during the early years of the new regime, interest in minorities focused primarily on security matters, notably how to quell the Hmong insurgency.³³ This was never fully successful, as a number of recent incidents in 2003, particularly on the road between Vientiane and Luang Phrabang, clearly indicated. The unfortunate effect of the Hmong insurgency, however, was not to threaten the government, but rather to heighten suspicion of all minorities as potential security risks. As a result, the authorities have been particularly sensitive to any programs that might encourage a separate sense identity for minorities (such as creating a written literature, or even preserving minority languages).

In 1988 the Nationalities Committee was abolished and responsibility for minority affairs given to the Lao Front for National Construction (LFNC). This period coincided with the first disastrous attempt at decentralization outlined above, the effect of which was to shift

financial responsibilities to the provinces. As many teachers and health workers were unpaid, schools and clinics closed, especially in more remote mountainous areas. As minorities saw the few benefits they had received from the revolution steadily diminish, dissatisfaction grew. This dissatisfaction has been exacerbated by the increasing difference in living standards between the highlands and lowlands, to the benefit of the ethnic Lao.

A year after promulgation of the Constitution in 1991, the Party passed a Resolution on Ethnic Minority Affairs.³⁴ This called for promotion of 'national sentiment', equality and solidarity, reduction of 'inflexible and vengeful thinking', improved living conditions, encouragement of ethnic identity and culture, and greater participation in 'the affairs of the nation'. These were to be achieved by 'five essential tasks' that reduce to four means: political (through the activities of the Party), military (through participation in security measures conducted by the Army), social (education, culture, health), and economic (through shifting from a subsistence to a market economy). The vehicle for these essential tasks was again to be the LFNC.

Over the last decade, very little has been achieved. An Ethnic Minorities Committee of the National Assembly is supposed to gather information on the condition of minority communities, but lacks the means to do so. It has little influence on policy. The same applies for the Institute for Cultural Research. This leaves only the LFNC to look after minority interests. However, as the LPRP has become predominantly Lao, the LFNC has diminished in political importance.³⁵ Its tasks as listed in its work plan on minorities are largely to do with reducing prejudice and discrimination, and to minimize dissatisfaction and separatist sentiment. The Front is also supposed to mobilize funds to improve livelihoods and to promote ethnic education. Needless to say, little is available for such low priority purposes.

Current policy as outlined in the 2001-2005 National Socioeconomic Development Plan effectively downgrades the priority accorded to poverty alleviation for ethnic minorities in the previous 1996-2000 Plan.³⁶ Special difficulties encountered by ethnic minorities

are left unspecified. Instead poverty alleviation measures are to be applied equally to all groups, including the lowland Lao.³⁷ What the current Plan does, therefore, is to eliminate any positive discrimination aimed at differentially improving conditions for the most disadvantaged elements of the population.

What appears to be happening with respect to the non-Tai minorities is that ethnic Lao (and Tai) attitudes are reverting to earlier forms. This can be seen in the return of derogatory language to refer to Austroasiatic minorities as '*kha*', meaning 'servant' or 'domestic slave', and to Hmong-Mien minorities as '*meo*' or 'savages', instead of the previously common, officially sanctioned Lao Theung and Lao Sung. Accompanying this is a change of view from minorities as comrades in the revolutionary movement to being a problem for the modern state.

The principal problems, as perceived by lowland Lao officials, have to do with resource use and environmental degradation, crops and crop substitution, 'backward' practices, and religious conversion. The resources most used by minorities are timber, destroyed in the course of slash-and-burn agriculture, and forest products, both of which the government would prefer to exploit itself. Timber in particular has been the favoured resource exploited by military and provincial officials. Preservation of the environment can be used as an argument against allowing minorities to pursue traditional lifestyles (though preservation of minority cultures is proclaimed Party and government policy).³⁸ Minorities also grow most of the opium produced in Laos, a crop that attracts strong international condemnation. The official solution to both of these first two problems is resettlement of minorities at lower altitudes that can be permanently farmed. This has the multiple benefit of preserving forest resources for exploitation by the state, of substituting other crops for opium, and of permitting closer monitoring and control of minority populations. Opium remains a problem, and there have been accusations of military involvement, but the government has resolved to eradicate it as a commercial crop by 2005.³⁹

The policy of resettlement is highly destructive, however, of traditional minority lifestyles and culture, and the effect is often demoralizing for those forced to leave their beloved mountains. One result has been increased drug addiction among minority populations. Ideally resettlement should entail consultation and agreement, and be accompanied by provision of improved services, such as education, health and agricultural extension. This has rarely been the case. Even if minimal funds have been budgeted for such purposes, they usually end up elsewhere, for those resettled have no way of demanding their rights.

Among the 'backward' practices most frowned upon are those with some adverse economic impact (from an official point of view). Apart from slashing and burning forests, blood sacrifice, particularly buffalo sacrifices, are considered 'primitive' and wasteful. Some minority communities have converted, or are in the process of converting, to Buddhism. This is not official policy, but it is certainly not discouraged. What is opposed is conversion to Christianity, of whatever form. Buddhism is considered Lao, but Christianity, because it encourages international contacts, is believed by the Party to be potentially subversive. Christian Khamu in particular have been targets of government repression.⁴⁰

Education provides the best means by which to include minorities in national affairs. If the culture and identity of minorities are to be preserved in a 'multiethnic' Lao state, then this should be conducted, at least for the primary grades, in minority languages, with Lao taught from first grade as a second language. For this, minority teachers would have to be specially trained, and teaching materials would have to be prepared in minority languages. This has not happened and there is no evidence of government commitment to making it happen, because there is no political will to do so. What the government has done is to build three boarding schools for minority students to go on to study at the lower and upper secondary levels. These are well equipped, but instruction is entirely in Lao and most of the teaching staff are ethnic Lao. In time it is hoped that graduating students will go on to become teachers and health workers staffing schools and clinics in minority areas, and to become leaders of their communities. The numbers are very small,

however, and the schools serve primarily to inculcate loyalty to the regime on the part of a minority elite.⁴¹

Given that government funding is in chronically short supply and political power is monopolized by Party cadres at the expense of the LFNC, the influence of minorities on policy direction would be in steady decline were it not for international pressure. Indeed it is very largely the provision of foreign aid and the work of foreign NGOs that enables the government to claim that it is still committed to alleviating ignorance and poverty in minority areas. This is ironically the nadir at which a movement built originally on ethnic minority support has now arrived.

ECONOMICS AND POLITICS

The most significant change in economic policy direction since the inception of the LPDR was undoubtedly the introduction of the NEM. This was a measure of last resort, given the parlous state of the economy at the time. It was adopted after Party Secretary-General (later Party president) Kaison Phomvihanh threw his political weight behind the reforms and convinced the Party to adopt them. (This followed a period of intense internal debate known as the 'two-line struggle').⁴² Kaison was convinced of the need for these reforms (following China, but in some ways in advance of Vietnam) by his Soviet (and Vietnamese) advisers. He was able to carry the day against conservative opposition, within both the Party and the Army, because of the considerable political influence he enjoyed as leader of the revolutionary struggle for thirty years and of the Party for forty.

The NEM had a number of components, the more important being: replacement of the socialist command economy by a market economy; privatization of most state-owned enterprises; an 'open door' policy, in time, towards both the domestic private sector and foreign direct investment (FDI); and enactment of an accompanying legal and regulatory framework for these measures.⁴³ Seventeen years later this program is mostly in place. There is an effective functioning market economy, and by far the majority of the 640

SOEs have been sold. (Of the fifty centrally controlled SOEs that remain, 24 will be retained under government control for ‘strategic’ reasons. Another hundred or so are provincial SOEs, many quite small. Assistance is being received – notably from the IMF and The World Bank – to restructure large loss-making SOEs). Under the terms of the amended Law on Land, passed in November 2003, land (strictly speaking ‘land use rights’) can be bought and sold and inherited. (An extensive land titling project is underway).⁴⁴ FDI has been variable, but has picked up since the Asian economic crisis of 1997-98.⁴⁵ The essential legal framework is in place, and the government has demonstrated a readiness to fine tune regulations and procedures.⁴⁶

So much, so good. The regime can claim that it has demonstrated its commitment to economic liberalization. What the Party is not prepared to do is relinquish its monopoly of political power. (The model for Laos is, of course, China. Solid books on ‘socialist’ economic theory have been translated from Chinese to Lao). But this distinction between (free market) economics and (authoritarian) politics is misleading, for political power can attract significant economic benefits for those who wield it, even in a market economy. This is the case in Laos, and the principal reason why there is so little transparency in relations between the political system and the economy. Party officials and non-Party government bureaucrats too, use their political and administrative power to economic advantage in order to supplement salaries eroded by inflation. Otherwise there would be little attraction in becoming a Party member or an underpaid civil servant. So reform has been piecemeal and reluctant, undertaken only under considerable pressure from international institutions, notably the IMF.⁴⁷

Take banking as an example. Following the plunder of state-owned commercial banks in the late 1980s during the first period of decentralization, six were reduced to two as a condition for re-capitalization (in 1994). These two are now again in need of re-capitalization, because of their high levels of non-performing loans.⁴⁸ Fiscal reforms are the condition for assistance from international lenders, but whether these will prevent a repetition of earlier practices remains to be seen. Few bank employees will be in a position to resist the demands of their political masters.

This reluctance to embark on radical economic reform reflects the state of the Party and the balance of influence within it. No-one in the higher echelons of the Party enjoys the dominant political influence that Kaison wielded. There is widespread fear that radical economic reform would open the way for radical political reform, by weakening the Party to the point where it could no longer resist the introduction of multiparty democracy. The leadership of the LPRP is well aware of the fate of communist parties in democratic multiparty political systems in former communist states. In Laos today, much political activity focuses on balancing political forces within the Party, between cautious reformers and stubborn conservatives, between centrists and provincial interests, between the government and the military, and most of all between competing influential political patronage networks. The political culture of the Party is no longer one of struggle and radical change. Rather it is one of compromise and the balancing of competing interests between patronage networks centring on politically and economically powerful individuals. So despite the freeing-up of the economy under the NEM, politics retains its priority. And despite the government's commitment to economic growth, this is not an end in itself, but is seen as legitimizing the rule of the Party.

Laos is not the only one-party state among ASEAN countries. Others range from Vietnam to Singapore. Comparison of Laos with Singapore is instructive. Both are authoritarian one-party states where Party membership and employment in government are highly sought after. One difference is that in Singapore corruption is minimal because salary levels are very high (by comparison with other ASEAN, and even OECD, states, and by comparison with average wages in the workforce), whereas in Laos corruption is ubiquitous because salaries are too low to live on. Moreover in Singapore vestiges of liberal and democratic values remain. It is doubtful, however, whether corruption could be eliminated in Laos just by offering very much greater salaries. This is because Lao political culture rests on acquiring resources for patronage (as well as for family consumption), and a quid pro quo for the exercise of political influence is expected.

It is within this political context that the government has stated its commitment ‘to strengthening its macro-economic management through continued government austerity, improved fiscal discipline and the reinforcement of the financial and monetary systems, by streamlining its commercial banking policies, its trade policy and by focusing on fiscal reform to enhance revenue collection.’⁴⁹ These are what the international community requires, so these are what the government proclaims. This is not just lip service. Macroeconomic stability, a stable currency and growth benefit the ruling elite by reinforcing political legitimacy and social order. So it is necessary to ensure continued flows of foreign investment, foreign aid, and low-interest loans – not just for the benefits these bring, but also because high foreign currency inflows take some of the pressure off requirements to raise revenue domestically. Just how effective the government has been in maintaining these flows is borne out by its own figures. The Foreign Investment Management Committee (FIMC), run from the Prime Minister’s Office, presides over a liberal and friendly investment environment, though a substantial gap persists between FDI projects authorized and actually underway. Meanwhile on the foreign aid front, between 1994 and 1998 overseas development assistance increased from 11.1 to 17.8 percent of GDP, and has continued at significant levels.⁵⁰

As the Lao government runs a chronic budget deficit, increasing revenue collection would seem to be an obvious policy priority. Over 80 percent of revenues come from tax collection, the five most important taxes being import duties, royalties (mainly on timber, greatly reduced by smuggling even before logging was officially halted in May 2000), turnover (goods and services) tax, profits taxes and excise. Income tax does not figure. Hopes for increased revenue from land tax have not been fulfilled because ‘new tax rates have not been adopted’.⁵¹ In other words, people have objected to paying higher taxes, and minor bureaucrats do not have the means (either administrative or legal) to enforce collection. This is one reason why implementation of the new land policy has proved so difficult, the other being because of disputes over title.

So what are the chances of increasing revenue collection? The government admits that a lot of trade goes unrecorded, and so untaxed.⁵² This is a polite way of saying that

smuggling and corruption are rife. A recent attempt to reduce smuggling saw army patrols posted along the Lao bank of the Mekong, while naval patrol craft intercepted boats crossing from Thailand. Smuggling was much reduced, but the cost proved prohibitive and the measures were scrapped. Even if they had continued, it is unlikely they would have continued to be effective, for three reasons. One is that the border is so long: smugglers can always seek out new routes. A second is that in time 'understandings' would be arrived at between smugglers and military patrols to turn a blind eye. And the third is that under-reporting of imports can be officially arranged, which is happening all the time. If half the quantity of imports is recorded, half the duties payable are saved. If half the saved amount is paid to customs officials to report the reduced figure, the importer still saves 25 percent. If the importer is a ranking politician or general, taxes are likely to be waived entirely. A similar system applies for exports and excise. These forms of tax evasion are exactly what were prevalent under the previous Royal Lao regime. For many transactions two sets of documents are drawn up. For example, the 30 percent tax on rental income from foreigners is reduced by drawing up two contracts, one stipulating the actual rent to be paid, and a second showing a much lower figure to be presented to the Finance Ministry. Profits and turnover can be under-reported in a similar way.

A further problem arises in relation to provincial collection of taxes, where, as the government admits, 'institutional weaknesses compound the revenue collection problems'. Provincial administrations are failing to meet expected tax revenue targets either because collection is not being enforced, or because taxes are not being remitted to the central government. Provincial revenue is under-reported, while expenditure does not accord with statistical records, resulting in what the government calls 'accumulated unplanned arrears'.⁵³

Can anything be done to increase compliance and collection? The short answer is, not a lot. The Mekong frontier is far too long to police effectively. The population on both banks is ethnically Lao, with families linked by ties of blood and marriage. Much small-scale smuggling amounts to trading between family members. Large-scale smuggling

requires substantial payments and political contacts. Those who benefit are members of the politico-economic ruling elite, who thus have least incentive to introduce and police reforms. No one wants to rock the boat. Tax collection is not on the basis of enforced regulations, but is the outcome of negotiations conducted by the Ministry of Finance. This is evident from the government's admission that two problems in revenue collection are 'the slowness in the calculation of the tax base with the taxpayer units' and 'occasional rescheduling of tax payments'.⁵⁴ This is another way of saying that negotiations drag on and that payments are delayed – at the very least. The process is tortuous and wasteful of time and resources, and the outcome depends almost entirely on 'the strength of the strings' of tax payers. (See above).

The reason why chronic budget and trade deficits have not had greater economic impact is in part due to the level of international aid, which has largely covered the shortfall. In fact the LPDR manages to maintain relatively healthy foreign exchange reserves. While this situation continues, there is no strong pressure for economic reform – much less for the political reform. The government accepts the need for reform urged by international advisers and institutions – for fiscal probity, to reduce the number of non-performing loans made to political cronies by commercial banks, to stem the budget haemorrhage in remaining SOEs – as the price to be paid for continuing aid. Officials cooperate; new regulations and procedures are formally introduced; donors are satisfied. What is important are appearances, but what happens in reality is another matter.

This is not to say that pressure for economic reform is pointless, however. Each agreement suggests an alternative way of doing things. If reforms to date have had less than their desired effect, they have nevertheless begun to create conditions for more effective governance and a growing demand for this. No-one anticipates that reforms will put an end to corruption, but it should be possible to reduce the more flagrant examples, providing the political leadership can be convinced that improved governance will improve economic performance and development (for which there is good evidence)⁵⁵ without threatening their political interests.

One economic bright spot has been the growth of private enterprise, both as a result of small-scale, mostly Thai, FDI and through the activities of Lao entrepreneurs. Both forms of business activity still, however, require political patronage to flourish. This may take the form, for example, of selective application of regulations, including taxation. So there is little transparency and no level playing field for business. Payments are routinely made to obtain government contracts, and continuing payments in one form or another are usual. Some ‘contributions’ may be indirect; for example, in the form of sponsoring local projects or ceremonies, which officials can present as due to their own influence and efforts. These are all expenses of doing business in Laos, which everyone, even foreigners, understands.

In summary, it is impossible to separate out economics from politics in the LPDR. The slowness of economic reform has been due in part to uncertainty over its political impact. For despite the legitimacy to be gained by presiding over a flourishing economy, the Party is most concerned to maintain its monopoly of political power. This is a goal shared by both reformers and conservatives, the difference between them being due more to perception of threat levels than to ideology. In the context of Lao political culture, politics depends on patronage, which depends on access to and control over resources. If reform seems likely to close off one set of resources, it will be resisted until an alternative set is developed. Non-performing SOE loans from state commercial banks were one such resource available to provincial Party leaders. Reforms designed to reduce these have met resistance, and are likely to be minimally applied until alternative resources are available – perhaps as a result of the current policy of renewed decentralization.

EXTERNAL INFLUENCES

Like any member of the international community, the government of the LPDR, and through it the Party, is open to political pressures from other states as well as international organizations. For historical, ideological and economic reasons, different

countries are able to exert more or less influence. Which those countries are and why plays into the context of Lao politics.

The LPRP is one of only five ruling parties left in the world that claims to be Marxist-Leninist. Cuba and North Korea count little for the LPDR, but Vietnam and China are neighbours and their respective influences on the Lao regime are greater than those of any other country. Support given to the LPRP by China and Vietnam to maintain its monopoly on political power is not primarily ideological, however. Rather it is given because it is in the strategic interests of both countries to do so. What makes this situation even more intriguing is that the strategic interests of China and Vietnam in Laos are to some extent competitive.

Vietnam has the edge over China for historical reasons. The ruling parties in Vietnam and Laos share a single origin in the Indochinese Communist Party, and stood shoulder to shoulder throughout the ‘thirty-year struggle’ from 1945 to 1975. During that time the military of both states forged especially close bonds, and in both countries military leaders of this revolutionary generation still wield considerable power. While thousands of Vietnamese died fighting on Lao soil, China’s involvement in the war in Laos was limited to road building in the north of the country, where construction battalions were exempt from bombing by United States warplanes.

In 1977, Laos signed a 25-year Treaty of Friendship and Cooperation with Vietnam. No such treaty was signed with China. Indeed during the Third Indochina War, relations between Laos and China were extremely cool after Laos threw its support behind Vietnam after the invasion of Cambodia. It took more than a decade for Lao-Chinese relations to return to something approaching normal. In the late 1990s relations between Laos and China warmed considerably. In 2002 the treaty with Vietnam was not renewed, as relations between Laos and its two communist relations gained a degree of balance. If Vietnam still enjoys extremely close relations with the current Lao regime, it is largely due to the personal relationships that have been forged over time between Lao and Vietnamese leaders, above all in the military.

Laos is important strategically for both Vietnam and China: for Vietnam because of its long and vulnerable western border; and for China because Laos provides an avenue deep into mainland Southeast Asia. Vietnam must seek close and friendly relations with Laos to prevent either Thailand or China from gaining too much political influence. China has more options, but a Laos deeply dependent on China would provide Beijing with enhanced leverage on both Vietnam and Thailand. This is a prospect neither would relish, and nor would the West.

Both China and Vietnam provide aid, including military aid, to Laos. Both have undertaken, and continue to undertake, infrastructure projects, especially road building to improve communications between Laos and their respective countries. This is important from the point of view of increased trade and continuing influence. Nationals of both countries circulate in Laos with no more than identity papers. China has financed more large-scale projects (such as a large cultural centre in Vientiane and cement works in Vientiane and Oudomxay provinces), but Vietnam has provided more training for Lao cadres, particularly ideological and military training. It is to Vietnam that the Lao turn for assistance in security matters, such as for advice and support in dealing with the remnants of the Hmong insurgency.⁵⁶

Both Vietnam and China have cultivated close and friendly relations with the LPRP. The example of both countries in generating rapid economic growth serves to encourage the Lao to pursue similar economic policies. But it is in the interests of neither China nor Vietnam to exert any pressure for political reform – especially as neither favours such reform in their own countries. So long as the Lao regime enjoys this kind of support from its two most powerful neighbours, the chances of any moves towards democracy that might in any way weaken the political hold of the Party are minimal.

Of Laos's other neighbours, relations with both Burma and Cambodia are friendly but unimportant. The Lao regime has taken careful note of developments in both countries. Burma provides an example of how a country can thumb its nose at international

condemnation and political pressure provided it has the support of China; while Cambodia provides an example of exactly what the LPRP does not want to happen in Laos – the return to a monarchy and multiparty politics.

This leaves Thailand. Thailand is the most difficult country with which the current Lao regime (and probably any Lao regime) has to deal. This is for a number of reasons that have to do with history (war, destruction and domination in which Laos was usually on the receiving end), population (there are far more ethnic Lao in northeast Thailand than in Laos), and economic dominance and dependency. Thailand is a flourishing democracy with a capitalist economy that is admired by many Lao who want the good things in life. The Thai king enjoys great respect in Laos, because of his karma – though when the Crown Prince inherits the throne respect for the Thai monarchy is likely to evaporate. Thai businesspeople have invested substantially in Laos, though they tend to be arrogant and corrupt in their dealing with the Lao. Add to this the appeal of Thai television, the impact of the Thai language on spoken Lao, and the difficulties Lao nationalism has in differentiating Lao from Thai, and one can appreciate some of the ambiguities in the Thai-Lao relationship. No such ambiguities exist in the relationship with Vietnam, which is why despite all the reasons why Laos should look to Thailand as a development model, it will be reluctant to do so, and why Thai influence in Laos will always be less than might be expected.

Now that Laos is a member of ASEAN, relations have become much closer with other Southeast Asian nations, including Singapore and Malaysia. Economic relations can be expected to expand, especially as Laos becomes a transportation crossroads in mainland Southeast Asia. It is unlikely, however, that ASEAN countries will exert much influence for political reform in Laos. The ASEAN way is to avoid conflict and interference in the internal affairs of member states.

Western aid donors are important for Laos, given that government revenue hardly covers recurrent expenditure, which means that virtually all infrastructure investment derives from foreign aid. The most important donors are Japan (always reluctant to press a

political agenda), Sweden, Australia, Germany, France and the EU.⁵⁷ The United States has been less than generous to Laos, especially considering the damage it did to the country. It has even been reluctant to clean up unexploded ordnance (UXO), for which it accepts no responsibility, and has failed to grant Laos normal trade relations (NTR).⁵⁸ Western countries have little leverage, however. If they were to attach political conditions to aid, it is likely that Laos would turn to China. So none will press too hard.

Nor, of course, will international lenders. Finance for infrastructure development and poverty alleviation, it is hoped, will have some effect in the longer term as mainland Southeast Asia becomes more integrated in terms of communications systems and economies. This may well happen, as Laos is of strategic significance for such developments. But greater integration is not going to promote political change in the short term.

International financial institutions, notably the IMF, the World Bank and the Asian Development Bank have been more successful in urging economic reform, as a precondition for loans for public and financial sector reforms, poverty reduction and human resources development, sustainable forestry, land titling, and rural electrification.⁵⁹ The largest infrastructure development supported by the two banks is the Nam Theun II hydroelectricity dam on the Nam Theun River in central Laos, loans for which are contingent on the Lao government pressing ahead with agreed upon reforms.⁶⁰

We must conclude that in view of the political support provided to the Lao regime by the ruling parties of both China and Vietnam, no international influence is likely to bring about political (as opposed to continuing institutional and economic) reform in Laos in the foreseeable future.

POLITICAL TRANSITION

Politics holds the key to any future success in bringing about institutional and economic reform in the Lao PDR. To implement even the framework of law that already exists will require political will, for many, if not most, of the plethora of presidential and prime ministerial decrees and laws enacted by the National Assembly are largely ignored.⁶¹ The key question for the future, therefore, is whether the necessary political will will be forthcoming. And that in turn depends upon the leadership of the Lao People's Revolutionary Party.

The Seventh Party Congress held in March 2001 was widely seen as a holding operation. In his political report, President Khamtai Siphandone announced no new reform initiatives, but said merely that the 'renovation policy' would continue. The principal concern of the Party was clearly to maintain 'political stability, peace and social order'.⁶² The principal economic goal was steadily to improve living standards and to lift Laos out of the category of 'least developed nations'. For this to happen, an average annual economic growth of 7 percent would be required through to 2010. The 'Draft Socio-economic Development Strategy' presented to the Congress set out the target average annual increases for each economic sector required to achieve this. None seems likely to be met.

The real indicators of the likely direction of the reform process came not from the Party's economic targets, however, but from its political decisions. The Congress nominated a Political Bureau comprising eight former or serving army officers out of 11 members. Of the remaining three members, two were Party functionaries while the third was the Chair of the Committee for Planning and Cooperation. The leadership of the Party, and so of the government and the country, thus firmly remained in the hands of a group of aging, conservative military officers belonging to the 'revolutionary generation' that fought during the 'thirty-year struggle', none of whom have convincing economic credentials.

The next Party Congress will be held in 2006. Its significance is that it is likely to mark a generational change in the Party leadership. Much depends on who takes over as Party president from General Khamtai. Over the next two years the Party will prepare for this

changing of the guard, which is already a matter of intense discussion and jockeying within the Party and much speculation and rumour among the wider Lao population. If earlier congresses are anything to go by, serious politicking within the Party will be concluded well before the congress itself, which will endorse decisions arrived at with a great show of Party unity. The next two years therefore will be a period of transition, during which Party members are likely to be reluctant to take decisions that might open them to criticism and weaken their position within the Party.

Given the secrecy and lack of transparency in the way the LPRP decides its affairs, how the next transitional two years will work out is virtually impossible to foresee. One suggestion is that the National Assembly will put in place a new government, before the end of 2004. One rumoured scenario would be for the present prime minister, Bounyang Vorachit, to step down in favour of Bouason Bouphavan, presently number 11 in the Politburo. Bouason is a protégé of President Khamtai. He formerly ran the Office of the Central Committee of the Party, but was then appointed a deputy prime minister and ‘Standing Member’ of the government, a new position with oversight of all government policy and legislation. From the prime ministership, Bouason would then replace Khamtai as Party president at the 2006 congress. This would mean passing over Thongloun Sisoulit, son-in-law of the late Politburo member Phoumi Vongvichit. Thongloun is currently also a deputy prime minister and head of the powerful Committee for Planning and Cooperation, and is ranked two places higher than Bouason in the Politburo. Both represent the next, better-educated generation to which power must eventually pass, and both owe their positions to support from powerful political patrons.

Opposition to this scenario can be expected from two sources: from those within the Party either jealous of Bouason’s rapid rise to power or fearful that their own positions and interests could be undermined; and from the military. Bouason, whatever his personal talents and abilities, owes his rapid rise largely to Khamtai, who is clearly intent on maintaining the political influence of his own patronage network. For Bouason to be accepted as prime minister, other powerful patronage groups within the Party would have to be compensated. One suggestion is for Thongloun to take over foreign affairs from the

long-serving foreign minister, Somsavat Lengsavat, who is not a member of the Politburo. Perhaps in preparation for and in order to sweeten such a move, responsibility for development cooperation was recently shifted, without prior notice to the international community, from the Committee for Planning and Cooperation to the Ministry of Foreign Affairs – except for China and Vietnam, whose economic (and diplomatic) relations with the Lao PDR thus enjoy an inside track directly to the prime minister that is denied all other countries and international organizations.⁶³ Other moves would then follow, allowing for the balance between patronage networks and regional pressure groups necessary to ensure continued Party unity.

Opposition to any scenario, the above or another, could also come from the military. Whatever happens, the military can expect to see its influence decline at the Eighth Party Congress, as leadership of the Party passes to younger civilian leaders with fewer direct links to either the revolution or the Army than members of the present Politburo have. The Army will want to retain the maximum influence it can, especially in view of the potential losses of revenue incurred by the restructuring of the three large SOEs under its control and their likely transference to the purview of the Ministry of Finance, even if it does retain timber rights (see above).

Changes to the government can be proposed by the president and endorsed by the National Assembly, so any new government would have more than a year to prove itself before the Eighth Party Congress. Changes in the leadership of the Party, however, would have to wait until the Congress meets. At the Congress, several senior and aging Politburo members are expected to resign. These include: General Khamtai Siphandone (80), President of both the State and the Party, National Assembly President General Saman Vinyakhet (77), Thongsing Thammavong (only 60, but reportedly ready to retire), currently mayor of Vientiane, Colonel Bounyang Vorachit (66), the present prime minister, and former prime minister and State vice-president, General Sisavat Keobounphan (76).

Not all the generals on the Politburo would retire. Two who might remain are the current vice-president, General Choumali Sayason, and Major-General Axang Laoli, a deputy prime minister and member of the Akha minority. The military might prefer Choumali to take Khamtai's place as president of both the State and the Party, perhaps with Axang as vice-president. Major-General Douangchai Pichit is likely to retain his position as Minister of Defense and commander in chief of the armed forces, and to rise in the Politburo rankings, though there is some suggestion that some Army officers believe he is not sufficiently forceful in supporting military interests. This alternative scenario would leave the Politburo still dominated by men who had fought in the revolutionary struggle, albeit not then in positions of leadership, and the Army still dominant within the Party – especially if, as in the case of former State president Nouhak Phumsavan, Khamtai and Samane are appointed 'advisers' to the Central Committee.⁶⁴

What changes actually take place will depend on how the balance of political forces works out over the next two years – including the influence of Vietnam, and to a lesser extent, China.⁶⁵ Agreement would be flagged by early leadership changes, though these might still be challenged. Alternatively political infighting may continue to the eve of the Party Congress, which might even be delayed. Lobbying will be intense to decide the composition of the Politburo. It is possible that for the first time a woman will be included (Mrs Pani Yathohou, an ethnic Hmong who is currently a vice-president of the National Assembly, appears to be the most likely candidate). In the Central Committee too there will be several retirements and an influx of new, younger members.

Times of leadership change are potentially perilous for ruling parties in single-party states. The LPRP has only undergone one such change in leadership, when Khamtai succeeded Kayson as Party president in 1992. Then circumstances were exceptional. Communism had collapsed in Eastern Europe and the former Soviet Union, and it was essential to maintain the strength and unity of the Party – for the sake of which all patronage groups were prepared to compromise. No such circumstances apply today, which is why the current transition is likely to be more contested.

What impact the transition might have on policy direction and the reform process is difficult to predict. Perhaps, however, not as much as might be hoped for. The new leadership is likely to straddle generations, rather than hand power directly to a younger cohort. The old men will remain in the background, as in several other Asian states. The Army will continue to protect its interests, both political and economic. Economic reform will proceed, but more slowly than international financial institutions would want – or believe optimal if Laos is to realize its development potential. And as the gap will remain between decree (laws and regulations) and performance (as Party cadres subvert the law to preserve the patronage networks that lie at the core of Lao political culture), external pressure for reform will have to continue.

Internationally, relations with Vietnam will remain close, and with China warm, while Lao-Thai relations are likely to remain as prickly as ever. The United States may grant Normal Trade Relations (NTR) status to Laos, but is unlikely to become either a major aid donor or a major political influence. China, by contrast, is likely to become even more dominant in the region.⁶⁶ As far as Laos is concerned, therefore, the balance of international forces is unlikely to shift in favour of more radical political, as opposed to economic, reform.

CONCLUSION

If the outcome of the Eighth Party Congress in 2006 is along the lines suggested above, there may be little political will to tackle the root causes of problems such as smuggling, illegal export of resources (primarily timber and wildlife to Vietnam and China)⁶⁷, non-payment of taxes, and provision of bank loans on the basis of political rather than economic and financial criteria. In all these areas some reform measures will be put in place to curb the most flagrant abuses – just enough to satisfy international donors that progress is being made. But ‘democratic centralism’ and Lao political culture will together ensure that no radical reforms are undertaken. With regard to the one-party state, there is insufficient political pressure from within Laos to induce the regime to self-

destruct as communist governments did in Eastern Europe. The Lao elite is small and compromised, and as long as levels of wealth in the Mekong towns continue to rise, there is unlikely to be strong pressure for more democratic institutions. As for the politics of patronage, this is too deeply embedded in Lao political culture to be easily eradicated. It was a major factor in the multi-party democracy that existed under the former Royal Lao regime, and should such a regime be reintroduced, it would still be significant, for it reflects deeply held Lao values and modes of social interaction.

This does not mean that aid donors can do nothing to improve matters. After all, at least one major change in economic direction has occurred – the introduction and implementation of the NEM. This was a change initiated by a combination of internal circumstances and the advice of friends (Soviet and Vietnamese) to re-think policy. The step-by-step demolition of the socialist command economy and its replacement by a more liberal free-market framework was directed by Kaison, on the advice of, among others, Chi Do Pham, the IMF representative in Vientiane in the early 1990s, who spent hours with Kaison explaining (in Vietnamese) how a free-market economy worked.

This indicates one significant line of approach, which is to use the present system rather than railing against it. ‘Democratic centralism’ is a top-down system, in which a tiny elite makes policy decisions. It is therefore the top leaders who must be convinced of the need for reform – or those who are likely to become the top leaders. As personal relationships are so important in the Lao context, the most effective messengers for reform will be those who establish personal rapport with significant Party leaders, or at least open channels of influence within the Party. The Lao are not generally avid readers, unlike the Vietnamese or Chinese. They prefer face-to-face encounters, in relaxed and informal settings.

Very rarely have Western official representatives been able to establish such relationships with any members of the Politburo. Partly this is because for the revolutionary generation suspicions of Western intentions are deeply entrenched. Partly it is because few Western official representatives are prepared to make the effort to work within a Lao cultural

framework, or stay long enough to build up the trust necessary for their advice to be taken seriously. The foreign friends of Laos who do do this, of course, are the Vietnamese. Much of the ‘advice’ provided by Vietnamese representatives is not on a formal basis. Rather it arises in conversation. Lao leaders may take note of it or not. They are not beholden to the Vietnamese, but they do broadly trust them. After all, the history of Vietnamese support for the LPRP goes back a long way. This is a hard act to match, though the Chinese are trying hard.

Western advice must rest on alternative approaches.⁶⁸ One is to multiply contacts at lower levels within the government and the Party, informally as well as formally, in the Lao way. Some of these contacts will have their own patrons higher up in the Party with whom they will discuss proposals. Another approach is to put strong rational arguments, based on good research data – for example, showing the relationship between economic development and good governance, particularly among other ASEAN countries – not in the form of stodgy analyses, which will not be read, but face-to-face. Such contacts will be easier to make as more Lao are educated abroad and more speak English.⁶⁹

If radical reform is unlikely, even after the Eighth Party Congress, incremental improvements are possible. Programs can be carefully targeted, in full recognition that they are just as likely to reinforce the power of the regime as to encourage it to become more open and democratic. Even so the effect of some measures, including education, will take time to become apparent. But the more non-performing SOEs that are restructured, the fewer there are to serve as a source of Party patronage. And the more financial checks and balances, particularly transparent accounting and independent auditing, are in place, the more difficult they will be to get around.

As for political reform, this is not going to happen at the national level. The Party cannot be expected to bring about its own demise by stepping aside to make way for a multiparty system, not without massive international intervention of the kind applied in Cambodia – something that China, whose agreement was essential in resolving the Cambodia crisis, would never allow in Laos. But a start could be made at the level of local government,

following the example of China. A return to elected village, and eventually district, councils would introduce more grassroots political participation, especially if Party membership were not a requirement to run for office. This would encourage the rudiments of civil society and provide some assistance to minorities by enabling them to take charge of their own affairs.

These are but possibilities, some of which are already happening. But quick results should not be expected. It is easy to forget how long it took Western countries to evolve the institutions and political and financial checks and balances that we now take for granted. A whole new generation of Lao will have to be educated to the possibility of doing things differently. In the meantime, their leaders need to be impressed by the possibilities for economic development flowing from improved governance.

Lao leaders are sincere in wanting to bring about improvements in living conditions and develop the economy. For reasons of 'face' they do not want to see their country fall far behind its ASEAN neighbours. The rapid economic development of China serves as a model pointing in the same direction. These are strong incentives to pursue further economic reform, but not at the expense of the preservation of the Party. This is the political reality in Laos today. Change will happen: for Lao as good Buddhists that is inevitable. But it will do so within the context of Lao political culture.

NOTES

¹ These terms refer to the official three broad divisions within the Lao population along roughly ethnic lines. The Lao Loum speak Tai languages, the Lao Theung (on the upland slopes) speak Austro-asiatic languages, while the Lao Soung (of the mountain tops) speak either Hmong-Mien or Tibeto-Burman languages.

² The classic study of Tao political systems is Georges Condominas, "Essai sur l'évolution des systèmes politiques thaïs" *Ethnos* I, 4 (1976: 7-67).

³ This term is used by historians of mainland Southeast Asia to refer to the political structure of Hindu/Buddhist kingdoms, where power radiated out from a ritual centre to more or less ill-defined frontiers. As that power varied, so frontiers could shift.

⁴ For this history, see Martin Stuart-Fox, *The Lao Kingdom of Lan Xang: Rise and Decline*. Bangkok: White Lotus, 1998.

⁵ For the French period in Laos, see chapter two of Martin Stuart-Fox, *A History of Laos*. Cambridge: Cambridge University Press, 1997.

⁶ I have discussed this development in chapter eleven of Martin Stuart-Fox, *Buddhist Kingdom, Marxist State: The Making of Modern Laos*. 2nd ed. Bangkok: White Lotus, 2002.

⁷ For the important place Buddhism has in the LPDR, and for other aspects of Lao political culture, see the excellent study by Grant Evans, *The Politics of Ritual and Remembrance: Laos Since 1975*. Chiangmai: Silksworm Press, 1998.

⁸ Maj-Gen. Khamphouang Chanthaphomma, former governor of Xiang Khuang province, died within three weeks of Politburo member Lt Gen. Osakhan Thammatheva in November 2002.

⁹ There are still 158 SOEs in Laos, of which eight are being restructured, or due to be. Fifty remain under the control of the central government, while the rest are provincial SOEs (including 22 controlled by Vientiane Municipality). The World Bank, *Lao PDR Economic Monitor*. Vientiane: The World Bank Vientiane Office, October 2003

¹⁰ The World Bank, *Lao PDR Economic Monitor*. October 2003, table 3, p. 5. This followed the substantial increase in defense expenditure from 1999 (3.87 %) to 2000 (8.14%). Asian Development Bank, Program Performance Audit Report on the Financial Sector Program Loan (Loan 1061-LAO[SF]) in the Lao People's Democratic Republic. Manila: Asian Development Bank, October 2001, p. 221. By contrast, expenditure on both education and health have fallen in percentage terms.

¹¹ The *Vientiane Times*, January 15, 2004, listed DAFI as one of five SOEs "slated for reform, pending outside consultation". All have debts greater than their operating budgets. Outside consultation is being provided by The World Bank, which notes that little progress has been made even in drawing up a memorandum of understanding that restructuring of DAFI should go ahead. (The World Bank, *Lao PDR Economic Monitor*. October 2003, p. 6).

¹² See Government of the LPDR, *Macro-economic Policy and Reform Framework*. Discussion Paper prepared for the Policy Dialogue Meeting, Roundtable Process 2000-2002. Vientiane, August 31, 2000.

¹³ For a sober, and sobering, analysis of decentralization, its requirements and likely outcomes, see United Nations Develop Program, *National Human Development Report Lao PDR 2001: Advancing Rural Development*. Vientiane: UNDP, 2001, chapter 7.

¹⁴ Martin Stuart-Fox, *Laos: Politics, Economics and Society*. London: Frances Pinter, 1986, pp. 78-80.

¹⁵ Patrick Keuleers and Langsy Sibounheuang, "Central-Local Relations in the Lao People's Democratic Republic: Historic Overview, Current Situation and Trends" in Mark Turner, ed. *Central-Local Relations in Asia-Pacific: Convergence or Divergence?* London: Macmillan, 1999, p. 204.

¹⁶ Cf. The World Bank, *Lao PDR: Problems of Public Economy*. Washington, DC: The World Bank, 1990.

¹⁷ Because Party congresses take place only every five years, some provincial governors appointed in the meantime may not be on the Central Committee. This was the case in 2004 for the governors of Xiang Khuang, Phongsali, Khammuan and Xekong.

¹⁸ Prime Ministerial Decree 64/PM already gives provinces responsibility for foreign investments under US\$2 million.

¹⁹ A Politburo resolution of 17 November 2003 allocated all provinces as special responsibilities of particular central ministries and organizations. The linkages are as follows: National Assembly, Savannakhet; Office of the President, Borikhamxai; Prime Minister's Office and Ministry of Justice, Luang Phrabang; Committee for Planning and Cooperation and the Propaganda and Training Board of the LPRP CC, Bokeo; Ministry of Foreign Affairs, Xainyaburi; Ministries of National Defense and Public Security, Xiang Khuang and Xaisombun Special Region; Ministry of Education and Lao Youth Union, Phongsali; Ministry of Labour and Social Welfare, Attopeu; Ministry of Commerce, Udomxai; Ministry of Communications, Transport, Posts and Construction, Luang Namtha; Ministry of Finance and Bank of the Lao PDR, Huaphan; Ministry of Industry and Handicrafts, Khammuan; Ministry of Information and Culture, Saravan; Ministry of Agriculture and Forestry, Champasak; Ministry of Public Health, Xekong; Organization Board of the LPRP CC and Office of the LPRP CC, Vientiane City; Lao Front for National Construction and Lao Women's Union, Vientiane Province. How this decision was arrived at, how it will

work out in practice and what it is designed to achieve in administrative, economic or developmental terms are all unclear, but that patronage relationships will be established seems certain.

²⁰ Report on Seventh Party Congress, *Vientiane Times*, 16-19 March, 2001.

²¹ See Stuart-Fox, *Laos: Politics, Economic and Society*, pp. 158-60. For a fuller account, and defense, of the Lao legal system, see Phongsavath Bouppha, *The Evolution of the Lao State*. Delhi: Konark Publishers, 2002, pp. 112-123.

²² I have been assisted in the preparation of this study by a number of Lao contacts, whose anonymity must be preserved for obvious reasons. I am grateful to them all.

²³ It was believed at the time that these arrests were mainly political and reflected personal animosities. For an account, see Stuart-Fox, *Buddhist Kingdom, Marxist State*, 259-62.

²⁴ *Le Rénovateur*, no. 253, October 9, 2003, p. 2.

²⁵ The most prominent example is General Sisavath Keoubounphanh, who was dropped from the Politburo, only to return at the next Party Congress to be appointed prime minister.

²⁶ Cf the definition given by Kaysone Phomvihane, *La Révolution Lao*. Moscow: Editions du Progrès, 1980, p. 170: democratic centralism requires “the submission of the individual to the organization, of the minority to the majority, or one level to its superior level [in the Party or administration], with the Central Committee assuring the direction of the Party.” It should be noted that democratic centralism does not prevent sometimes vigorous debate within the Party. It does preclude seeking support for any position outside the Party, and thus allows no public input.

²⁷ This is often expressed as proceeding so as “to continuously strengthen our society’s stability”. Cf. Government of the LPDR, *Macro-economic Policy and Reform Framework*, p. 5.

²⁸ Amnesty International, *Lao PDR: The October Protesters: Where are They?* ASA 26/04/2000.

²⁹ Grant Evans argues for the attraction of the Thai monarchy, and for monarchy as ‘natural’ in Theravada Buddhist societies, in *The Politics of Ritual and Remembrance*. See also Charles F. Keyes, “A Princess in a People’s Republic: A New Phase in the Construction of the Lao Nation” in Andrew Turton, ed. *Civility and Savagery: Social Identity in Tai States*. London: Curzon, 2000, pp. 208-26.

³⁰ See *Vientiane Times*, April 25-28 and May 16-19, 2003.

³¹ See articles on “Who polices the police?” *Vientiane Times*, July 18-21, 2003; and in *Le Rénovateur*, November 27, 2003.

³² UNDP, *National Human Development Report Lao PDR 2001*, table 5.2, p.58.

³³ Political Bureau of the LPRP, *Resolution concerning ethnic minority affairs, particularly the Hmong*. Vientiane: 1981.

³⁴ Central Committee of the LPRP, *Resolution concerning ethnic minority affairs in the new era*. Vientiane: 1992. As referred in UNDP, *National Human Development Report Lao PDR 2001*, pp.63-65.

³⁵ Vatthana Pholsena cites the LFNC’s “dramatic loss of influence within the regime” as “perhaps the most revealing example of the end of the socialist project” in her PhD dissertation, *Minorities and the Construction of a Nation in Post-Socialist Laos*, The University of Hull, October 2001, p. 216.

³⁶ UNDP, *National Human Development Report Lao PDR 2001*, p. 66

³⁷ This is made very clear in Lao People’s Democratic Republic, *National Poverty Eradication Program (NPEP): Eighth Round Table Meeting*. Vientiane: Government of the Lao PDR, September 4-5, 2003.

³⁸ Under UNESCO auspices an International Expert Meeting for the Safeguarding and Promotion of the Intangible Cultural Heritage of the Minority Groups of the Lao People’s Democratic Republic in Vientiane, 7-11 October 1996, at which a declaration was issued recalling the Directive on Cultural Activities in the New Era issued at the 1991 Fifth Party Congress. In effect this underlined the gap between proclaimed policy and actual practice with respect to minority culture. Both documents can be found in Yves Goudineau, ed. *Laos and Ethnic Minority Cultures: Promoting Heritage*. Paris: UNESCO Publishing, 2003, pp. 287-291.

³⁹ LPDR, *National Poverty Eradication Program*, p. 123. Opium is a traditional medicine in Laos, and small quantities will continue to be grown for this use.

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- ⁴⁰ There has been little improvement since The 1998 report by Amnesty International on *Religious Imprisonment in the Lao People's Democratic Republic*. ASA 26/09/98
- ⁴¹ Maynooch Faming, "Education for the National Integration of Ethnic Minorities in the Lao PDR", paper presented at the Workshop on Revisiting History, Nation and Culture in Late Socialist Laos, National University of Singapore, 16-17 January 2004.
- ⁴² For this and many other references in this paper, see Martin Stuart-Fox, *Historical Dictionary of Laos*. Second edition. Lanham, MD: The Scarecrow Press, 2001.
- ⁴³ The best study of the NEM and subsequent developments is Yves Bourdet, *The Economic of Transition in Laos: From Socialism to ASEAN Integration*. Cheltenham: Edward Elgar, 2000.
- ⁴⁴ This has proved to be a bonanza for officials involved as both sides in cases of disputed ownership attempt to ensure a favourable outcome in the usual Lao way.
- ⁴⁵ Nick Freeman, "The Rise and Fall of Foreign Direct Investment in Laos, 1988-2000" *Post-Communist Economies* 13, 1 (2001): 101-19. A small increase to US\$42 million occurred in 2001, with a rapid jump to US\$493.8 million the following year. Expectations are that FDI will reach US\$665 million by 2005. Government of the LPDR, *The National Poverty Eradication Program*, table 2.2.
- ⁴⁶ Government of the LPDR, *Macro-economic Policy and Reform Framework*, "Status of the NEM", pp. 25-26.
- ⁴⁷ Government of the Lao PDR, Letter of Intent, Memorandum of Economic and Financial Policies of the Government of the Lao People's Democratic Republic, August 28, 2003. This commits the Lao government to undertake key structural reforms in the banking sector, the administration of SOEs, control of public debt, and public accounting procedures.
- ⁴⁸ Government of the LPDR, *Macro-economic Policy and Reform Framework*, p.38.
- ⁴⁹ *Ibid*, p.8.
- ⁵⁰ *Ibid*, p. 20.
- ⁵¹ *Ibid*, p. 28.
- ⁵² The World Bank, in its *Lao PDR Economic Monitor*, Vientiane, October 2003, has pointed particularly to discrepancies in export data between the Ministry of Commerce and the Bank of Laos, p. 13.
- ⁵³ Government of the LPDR, *Macro-economic Policy and Reform Framework*, p. 28.
- ⁵⁴ *Ibid*.
- ⁵⁵ See, for example, Paolo Mauro, "Corruption and Growth" *The Quarterly Journal of Economics* 110 (1995): 681-713; Daniel Kaufmann and Aart Kraay, "Growth without Governance", plus comments, *Economia* Fall 2002, 169-229; and Gordon de Brouwer, "Macroeconomics and Governance" Commonwealth of Australia, Treasury Working Paper, December 2003.
- ⁵⁶ This flared again briefly in 2003. *Time Asia*, May 5, 2003. Early in 2004 several hundred Hmong were reported to have surrendered to provincial authorities in Xiang Khuang.
- ⁵⁷ An important plank of Lao foreign policy is to maintain the level of international aid. But in doing so, as economist Hans Luther points out, Laos is becoming increasingly dependent and risks donor fatigue. See Grant Evans' interview with Hans Luther, "Laos moving along at snail's pace" *Bangkok Post*, June 21, 2003, p. 8.
- ⁵⁸ This has been due mainly to the strongly anti-communist Lao-American and Hmong-American communities, which have lobbied strongly against NTR on the basis of the regime's human rights record, including religious persecution and persecution of the Hmong. Carlyle A. Thayer, "Laos in 2003: Counterrevolution Fails to Ignite" *Asian Survey* 44 (2004): 113.
- ⁵⁹ See, for example, The World Bank, *Lao PDR Economic Monitor*, October 2003.
- ⁶⁰ The US\$1.1 billion dam is to be built by a consortium of French and Thai interests in conjunction with the Lao government. An agreement has already been signed with the Electricity Generating Authority of Thailand (EGAT) for purchase of most of the electricity to be produced. A decision in 2003 by the French partner to withdraw was reversed after an appeal from the Lao government, which made it clear that it would prefer the consortium to build the dam. If this fails, the Lao government would have to look to

China, an alternative unlikely to be favoured by Vietnam, whose hand some observers saw behind the Lao statement. Off-the-record interviews conducted by the author in Vientiane, March 2004. A World Bank risk guarantee for the project is contingent on the Lao government introducing a number of financial and management reforms. The World Bank, Lao PDR and the World Bank, The World Bank Vientiane Office, November 2003.

⁶¹ Many Lao laws and regulations are admirable in conception (decrees against corruption and for environmental protection are good examples), but implementation is virtually non-existent.

⁶² Khamtay Siphandone, Report to the Seventh Party Congress, *Vientiane Times*, 13-15 and 16-19 March 2001.

⁶³ FDI remains the responsibility of the Committee for Planning and Cooperation.

⁶⁴ At the age of 90, Nouhak still exercises considerable influence within the Party.

⁶⁵ Chinese influence might assist foreign affairs minister Somsavat Lengsavat, who is himself Chinese Lao, to resist making way for Thongloun. Though not a member of the Politburo, Somsavat remains politically influential.

⁶⁶ See, for example, Denis D, Gray, "China Exerting More Influence Over Laos" *Associated Press*, April 3, 2004.

⁶⁷ Hanneke Nooren and Gordon Claridge, *Wildlife Trade in Laos: The End of the Game* Amsterdam: Netherlands Committee for IUCN, 2001.

⁶⁸ Appendix One provides a flow chart of how Western proposals for reform might be discussed and influenced before a final decision is made.

⁶⁹ Australia educates more young Lao at the tertiary level than any other Western country, close to 700 to date, most in technical fields. Many now have middle level positions in government ministries.

Appendix I

Decision-Making Flow Chart for Agreement on Reform Measures in the Lao PDR

