Lao PDR’s Perceptions and Strategies toward China’s Belt and Road Initiative

Chu Cong Hung1, Hoang Minh Hong2

1 PhD candidate at University of Social Sciences and Humanities, Vietnam National University, Hanoi (VNU), Vietnam
2 PhD candidate at University of Social Sciences and Humanities, Vietnam National University, Hanoi (VNU), Vietnam

ABSTRACT: The purpose of this article is to clarify Laos’ perceptions and strategies toward China’s Belt and Road Initiative (BRI). The article argues that China’s growing influence over Southeast Asia, including Laos, and Laos’ increasingly urgent need for investment and improvement for its weak infrastructure have propelled Laos to become the most receptive country in Southeast Asia to support China’s BRI. Besides, Laos is the only landlocked country in the heart of the Greater Mekong region. Furthermore, the country still remains one of the poorest in Southeast Asia, and in one of the world’s least developed countries. Therefore, the Lao government aims to transistion from a “landlocked” to a “land-linked” country. An improved highway network would move the country one step closer to achieving its landlinked strategy. Thus, Laos sees China’s BRI as a significant tool to promote its landlinked strategy. Accordingly, the Lao government’s welcoming attitude towards China’s BRI. As a result, China so far is the largest investor and aid donor on the country and has provided numerous development aid and invested in major infrastructure insightful views to better understand the current China’s BRI strategy in Southeast Asia and regional countries’ response to this initiative.

KEYWORDS: Lao PDR, China, Belt and Road Initiative (BRI), landlocked country, land-linked country

1. INTRODUCTION: BACKGROUND OF CHINA’S BRI IN LAOS

The end of the Cold War led to a new regional order that endorsed the return of China’s influence in Southeast Asia. Determined to regain its “righful place” in a region that China considers its traditional sphere of influence, the Chinese government devised a “charm offensive” by nurturing close economic partnerships (aid, investment, creation of a free trade area between ASEAN and China) and promoting the idea that China will not be a threat to other nations (Tan Danielle 2012, p.66). Begun in 2013, the Belt and Road Initiative (BRI) has become one of the key international cooperation platforms, mainly focusing on infrastructure development and connectivity. Through BRI, China’s economic presence and influence in Southeast Asia will continue to rise. The concept of the Belt and Road was derived from many sources with political and economic motivations. Its conceptualization has been a crux of the larger debate about the transformation of China’s foreign policy thinking. Chinese foreign minister Wang Yi insisted that the BRI is “a product of inclusive cooperation, not a tool of geopolitics,” (Fmprc.gov.cn 2015) emphasizing Beijing is committed to the spirit of “peaceful rise” and newly coined “community of shared future.” On the one hand, it is linked to China’s new regional and global position following decades of economic growth. This has clearly provided China with the economic clout to finance investments abroad and to pursue strategic goals beyond its immediate neighbourhood in East Asia. The initiative involves building advanced rail infrastructure along several routes across Central Asia, and expanding infrastructure for shipping routes in Southeast Asia, the Indian Ocean and the Mediterranean Sea (Erik Baark 2019, p.2). The overall geopolitical and strategic aspects of the BRI have been extensively analysed by Western and Chinese scholars, albeit often form very different perspectives.1 At an early stage of implementation, the geostrategic basis for China’s BRI was interpreted as rooted in domestic regional politics and Chinese “peripheral diplomacy”, that is, the need to further develop western regions in China such as Xinjiang, and to cultivate political and economic relationship with the nearest neighbouring countries (Cai Peter 2017).

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Among Southeast Asian countries, Laos, a tiny and an underpopulated, has been one of Beijing’s major aid recipients. In return for granting loans and aid to Laos, Beijing has three basic demands: backing of the Chinese policy on issues such as Taiwan and Tibet; Chinese companies to be able to exploit Laos resources, and lines of communications to run through Laos to Thailand (Nehginpao Kipgen and Megha Gupta 2020). Laos is positioned at a strategic location for China to extend its influence on Southeast Asia, as its connects two important transportation lines form China to mainland Southeast Asia. One is the Kunming-Bangkok Expressway, which starts in Kunming, the capital of China’s Yunan Province, passes through Laos, then over the Thai-Lao Friendship Bridge, and finally arrives in Bangkok. The other line is the China-Lao Railway, which runs from Kunming to Vientiane, a strategic location along the East-West Corridor the connects Vietnam’s Danang with Phisanulok in central Thailand and Mawlamyine in Myanmar. While the Kunming-Bangkok Expressway was completed in December 2013, construction of China-Lao Railway project was completed in December 2022. In addition, Laos is now a significant part of the China-Indochina Peninsula Economic Corridor (CICPEC) under BRI.

The smaller economies in Southeast Asia, such as Laos, are much attacted to the BRI chiefly because it helps develop their economies, bridge the developmental gaps within and across national boundaries. Laos has the ambition to transform its geography from a landlocked to a land-linked country. Since the turn of the century, China’s economic presence in Laos has expanded (Vannarith Chheang 2021). Presently, China has become the largest source of foreign investment and the second largest trading partner of Laos, with investments covering mining, hydropower, finance and special economic zones.

Besides, China has been playing a special and significant role the course of Laos’ National and economic development. The special feature lies in the fact that Laos and China are both socialist countries. Despite ups and downs in the bilateral relationship, both China and Laos have always valued both sides as its important partner. Having gone through its development, Laos also attaches growing importance to strengthening cooperation with China. The significance of China in Laos’ national development is manifested by the fact tha China is not only its largest aid donor and investor, but also a source of development experience for Laos.

The development of Laotian economy calls for reinforcement of infrastructure construction. Laos can overcome its geographical disadvantages through infrastructure connectivity, transforming itself from a “landlocked country” to a “land-linked country”. The BRI put forward by China in 2013 shares a high degree of similarity with the development strategy of Laos (SHIS 2016).

As the land-linked strategy has been already advertised by the Laotian government for more than two decades, the BRI in Laos is, rather than breaking new ground, an intensified and accelerated continuation of already existing development strategies and policies. As a result, the China-Lao Railway seems to be at the core of the economic program that has shaped the initiative-a regional infrastructure project that aims to connect Chinese markets to those of other countries and ports in Southeast Asia. In recent years, the investment of Chinese enterprises in Laos has quickly expanded in both scale and scope with the continuous development of bilateral economic and trade relations and especially within China’s BRI framework. Laotian government and community have high expectations of strengthening investment cooperation with China. However, increasing apparent problems also arise from the process of making investment.

Faced with this situation, this paper seeks to examine the specific patterns of China’s BRI in Laos, as well as the impact of BRI on the development of this small and forgotten country. At the same time, this paper also analyzes Laos’ perceptions and strategies toward China’s BRI. Accordingly, this article is structured as follows. The first section is introduction, in which the paper briefly reviews the background of China’s BRI in Laos. The second section analyzes objectives of China’s BRI to Laos and Vientian’s response. The third section examines current status of China’s BRI implementation in Laos. The fourth section concludes the assessment and presents some remarks on China’s BRI in Laos.

2. OBJECTIVES OF CHINA’S BRI TO LAOS AND VIENTIAN’S RESPONSE

China’s Belt and Road Initiative (BRI), also known as the “One Belt, One Road”, was launched in 2013 by Chinese President Xi Jinping to establish new logistic links across Eurasia that include the expansion of railway networks, ports and other infrastructure. These links are expected to foster new economic growth in countries along the routes in Central Asia, Southeast Asia, South Asia and Africa. China’s BRI has been regarded by many China observers as China new geopolitical strategy aimed at extending its sphere of influence, fostering new norms of international economic cooperation, and promoting a new world order (Zhang Zhexin 2020, p.328).

The two central features of China’s BRI are: One is its embracing of the “Chinese Dream”, already extended as China’s “Asia-Pacific Dream”; the second is, more importantly, its discursive power of scripting China’s geopolitical and economic interests in the rhetoric of its partners’ national development strategies (Simon Rowedder 2020). China’s vision of BRI included creating a vast network of railways, energy pipelines, highways, and border crossings, both on the westward side-though th former Soviet republics and to Pakistan, India, and the rest of Southeast Asia. Such a network would expand the international use of Chinese currency, the renminbi (RMB), and break the bottleneck in Asian connectivity. In addition to physical infrastructure, China had plans to build fifty special economic zones, modeled after the Shenzhen Special Economic Zone, credit for which went to economic reforms under leader Deng Xiaoping.
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Initially, BRI sought to connect countries in Central, South, and Southeast Asia with China. In the two years following BRI’s launch, only ten countries formally joined the initiative by signing a memorandum of understanding (MoU) or cooperation agreement. In 2015, BRI began to outgrow its initial corridors, as an additional seventeen countries joined. In 2017, for instance, China extended BRI to Latin America, describing it as a “natural extension of the 21st Century Maritime Silk Road”. In the fall of 2017, BRI was incorporated into the Chinese Communist Party’s constitution. Following that development, a burst of activity ensued, with an additional sixty-one countries joining BRI in 2018 alone. In all, 139 countries have joined BRI, and this initiative is now a truly global endeavor. These 139 members of BRI, including China, account for 40 percent of global GDP. Sixty-three percent of the world’s population lives within the borders of BRI countries (David Sacks 2021). Actually, the BRI has enhanced the degree of openness domestically and allowed for the opening of more avenues for international cooperation. China signed more than 200 documents concerning BRI cooperation with 140 countries and 32 international organizations (Staff Reporters 2021).

Since BRI’s launch in 2013, Chinese banks and companies have financed and built everything from power plants, railways, highways, and ports to telecommunications infrastructure, fiber-optic cables, and smart cities around the world. If implemented sustainably and responsibly, BRI has the potential to meet long-standing developing country needs and spur global economic growth (Jennifer Hillman and David Sacks 2021). The total trade in goods between China and countries along the BRI hit $10.4 trillion, and China’s non-financial direct investment amounted to more than $130 billion (Staff Reporters 2021).

The mainland Southeast Asian region or the Mekong Subregion bordered by China’s Guangxi Zhuang Autonomous Region and Yunnan province - China’s relatively low-developed region in the Southwest. However, this region has an extremely important position in China’s regional strategy, including the “Xibu Da Kaifa Zhuanlue” (西部大开发战略) that would “the Great Western Development (GWD) policy” and the opening-up in the Southeast region of China, which is also the door to go down to Southeast Asia by road, and go into the India Ocean via Myanmar. In addition, the region is mainly the countries with close trade relations with China, especially now that many countries in this region are increasingly tightening their relations with China. Therefore, for China, this area can be seen as Beijing’s “backyard”, so promoting a new, more efficient cooperation mechanism will be of great importance to the overall strategy of China in Southeast Asia.

Regarding China, this country also has an ambition to create its belt of influence in the South. At the beginning of the 21st century, China has wisely implemented the strategy of “Dongwen Beiqiang Nanxia Xijin” (东南北强南下西进) that would “stabilize in the east, gather strength in the north, descend to the south, and to advance to the west” (Huangjiuqiang 2012), “is the doctrine that can be seen as China’s long-term strategy for transport exits beyond its borders, which is being actively realized by Xi Jinping” (P. A. Minakir and D. V. Suslov 2017), this creating a safe “buffer zone” around China. In which, “descend to the south” (南下) focuses on tightening economic relations with neighboring ASEAN countries in the South, brings China’s economy into integration with this market. Thus, the area where China can increase its influence more easily is the South, where a group of neighbors that are smaller and weaker than China lives. In which, the Mekong region is the region that China is the most easily to increase influence, and also the region where China had relatively good relations with the countries for long.

China is implementing its intention to turn this region into a “pilot” region for China’s strategy of building a “Community of Shared Future for Mankind” (人类命运共同体 Renlei mingyuan gongtongti) in Asia. Currently, China is promoting the strategy of building a “Community of Shared Future for Mankind” in the region, so mainland Southeast Asia (namely countries in the Mekong Subregion) is considered a “pilot” region for China to implements the “Asia Community of Shared Future for Mankind” strategy. In the speech of China’s Foreign Minister Wang Yi, it is also emphasized that: “Langcang-Mekong Cooperation (LCM) becomes a model of subregional cooperation in the process of building “Belt and Road” Initiative (BRI) together, LMC will become a vivid reality in building a new style of international relations (新型国际关系 xinxing guoji guanxi), and “LCM is the first implementation version of the building Community of Shared Future for Mankind” (Renminwang 2018). China also emphasizes the cooperation in resolving the competition of water resources for the river flowing across borders in the spirit of community with shared future for mankind and regional cooperation of “enjoying the water of the same river, future linked closely”. LMC, and more broadly “Belt and Road”, is an important tool to promote building Community of Shared Future for Mankind. China also assessed that the LMC is an innovative new model of regional cooperation, this cooperation model aims to inherit the spirit of building an “Asian Community of Shared Future for Mankind”, and this mechanism will not replace existing retional cooperation mechanisms, but is a new addition. This can be considered as an important cooperation mechanism in China’s neighboring diplomatic strategy. (Liu Junsheng 2016)

At the beginning of the BRI, the Lao government expressed its willingness to play a role as a breakthrough for China’s BRI and to serve as a model and catalyst for countries along the BRI. Due to its special geographical position, Laos is situated like a “bottle stopper” at the intersection of the land routes between China and ASEAN countries. Therefore, Laos is one of the key countries along the BRI. In addition, China and Laos are geographically close to each other and have geographical advantages in terms of connectivity, since the signing of the BRI agreement between China and Laos, the governments of both sides have actively encouraged cooperation and dovetailing between the two countries in terms of economic development, which is an important example of cooperation between China and other countries along the BRI (CHANTHANILEUTH Vilaiphorn, Qi Ping 齐平 2020).
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Lao Foreign Minister Saleumxay Kommasith has stressed Laos attaches great importance to its relations with China and is ready to advance high-quality Belt and Road Cooperation, deepen all-round exchanges and cooperation, promote the construction of the Laos-China Railway and the Laos-China Economic Corridor, and push forward the building of a Laos-China Community with a Shared Future (Fmprc.gov.cn 2021). Ambassador Khampheo Emthavan in turn has said that Laos has always attached great importance to and supported the BRI, and the BRI is in line with Laos’ strategy to transform the country from being landlocked to land-linked within the region (Xinhua 2021a).

Furthermore, Laos strongly supported the BRI because this country was looking for huge investment projects from China in investing in improving and building new infrastructure. This country has borne less security risks from China, especially the absence of disputes in territorial sovereignty or contradictions in terms of development strategy. Therefore, this country has received great investment from China. The Lao Prime Minister Phankham Viphavan said when interviewed with Xinhua in August, 2021 that the BRI “is an opportunity, through economic infrastructure, trade, investment and people-to-people’s connectivity to deepen the mutual trust and help between Laos and China and BRI countries. Thus, we have the landed project, Laos-China railway project.” (Xinhua 2021b)

During Xi Jinping’s visit to Laos in November 2017, the two countries signed a series of documents covering the China-Laos Economic Corridor and infrastructure, among which the railway was designated as a landmark project under the BRI (Xinhuanet 2017). Xi Jinping wrote in an open letter, published in English and Lao language in Lao mainsteam media, that “there is a high degree of complementarity between China’s Belt and Road Initiative (BRI) and the strategy of Laos to transform itself from a landlocked to a landlinked country.” (Simon Rowedder 2020) Besides, Chinese President Xi Jinping on December 03, 2021 also emphasized that: “China is willing to strengthen strategic communication with Laos, promote the high-quality development of the BRI, and continue to build and unbreakable China-Laos community with a shared future.” (Reuters 2021)

The two countries’ political relations have been increasingly tightened and rapidly developed in recent years, the two parties have striven to promote healthy and stable development of the China-Laos comprehensive strategic cooperation partnership relations, ans efforts to develop the socialism career. At the same time, Laos also believed that the achievements and experiences of China also encouraged and initiated Laos to continue building a “unique Lao socialism” (La.china-embassy 2013a). Even more, China is trying to promote its political-diplomatic relations with Laos as a polity with shared destiny, shared interests and especially the phrase “special relations” (特殊关系) was used. In response, Laos also stated that “Laos attaches great importance to the relationship of ‘to share joys and sorrows’ (同甘苦，共患难) with China.” (La.china-embassy 2013b) In addition, China and Laos committed to connect “Belt and Road” with Lao national strategy that transform the country “from a landlocked to a land-linked one”. The two parties also worked together to promote the building of a “Community of Shared Future”, and to propose a cooperation planning outline to promote the construction of BRI (Meiritoutiao 2016).

On April 30, 2019, China and Laos agreed to sign and implement the Action Plan for Building a China-Laos Community with a Shared Future, in which both sides agreed that 2019 marks the 10th anniversary of the establishment of China-Laos comprehensive strategic cooperative partnership. Standing at a new historical starting point, the two sides decided to further build a China-Laos community with a shared future. And, this community between the two countries not only includes the general connotation of a community with a shared future for mankind, but also means that the two sides have common pursuit of values, prominent political ties, and special friendship. Previously, in September 2013, when Chinese President Xi Jinping held talks with Lao President Choummaly, who was visiting China, he proposed for the first time that “China-Laos relationship in not a bilateral relationship in the general sense, but a community of shared future with extensive common interests”. In May 2016, when Lao President Bounnhang Vorachit paid an official goodwill visit to China, the two sides stated in their joint statement for the first time that China and Laos “are a community with a shared future of strategic significance”. In November 2017, President Xi Jinping chose Laos for his visit after the closing of the 19th National Congress of the Communist Party of China, the top leaders of the two parties and the two countries reconformed this consensus during their talks, injecting strong impetus into the building of a China-Laos community with a shared future. In May 2018, during President Bounnhang Vorachit’s visit to China, the two countries unanimously decided to initiate the formulation of the Action Plan for Building a China-Laos Community with a Shared Future (Xinhuawang 2019).

The role of China’s BRI in Laos’ land-linked strategy: As the land-linked strategy has been already advertised by the Laotian government for more than two decades, the BRI in Laos is, rather than breaking new ground, an intensified and accelerated continuation of already existing development strategies and policies. Consequently, BRI’s flagship project by rail, builds in long-established plans of integrating the region by multilateral actors. First proposed at the 5th ASEAN Summit in 1995, the overall Singapore-Kunming Railway Link, now better known as “Pan-Asia Railway Network”, has been subsequently taken up by the ASEAN-Mekong Basin Development Cooperation (AMBDC), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Asia Development Bank (ADB). The latter once envisioned to connect all countries of the Greater Mekong Subregion (GMS) through a comprehensive rail network by 2020 (Simon Rowedder 2020).

Laos is considered a significant link in China’s BRI. In order to realize this strategy, China has promoted the mechanism of LMC. According to media response on December 15, 2017, China’s Foreign Minister Wang Yi stated that: “LMC is more closely

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linked with the BRI” and the six countries’s national development strategy, together with ASEAN, promotes better interaction in the implementation of ASEAN-China cooperation, complements other subregional cooperation mechanisms, and jointly promotes regional development prosperity for this region.” (Wajiabou 2017) Meanwhile, Laos is the only landlocked country in Southeast Asia. It has no access to the sea. In addition, its economy is underdeveloped and its transportation infrastructure is weak. As a result, investment attraction and open development are severely restricted. It is regarded as the development of industrialization, in 2014, the Lao government put forward the strategic plan of “turning a landlocked country into a land-linked country”. Laos’ strategic plan of “changing a landlocked country into a land-linked country” is in line with the priority direction of China’s BRI – infrastructure interconnection. The construction of the China-Laos railway is the way to meet this demand. Thus, among mainland Southeast Asian countries, Laos actively responded to the BRI in a strong manner. China’s initiatives to concretize the “Chinese Dream” were also actively supported by Laos, especially the BRI.

Accordingly, the China-Laos Railway project under the China’s BRI will help dovetail the BRI with Laos’ strategy of “turning a landlocked country into land-linked country”. In 2014, the Lao government put forward a strategic plan to escape from the dilemma of industrialisation, planning to expand into an important transport hub connecting neighbouring countries through connectivity and become a liaison country for regional economic integration and the construction of the Central South Peninsula. The Lao PDR’s strategic plan of “transforming a landlocked country into a land-linked country” is in line with the priority direction of China’s BRI – infrastructure connectivity – and the construction of the China-Laos Railway is a way to meet this need. The China-Laos Railway, which connects Kunming in Yunnan Province to Vientiane, the capital of Laos, is the first cross-border railway to be invested mainly by the Chinese side, built to Chinese first-class railway standards and directly connected to the Chinese railway network and a key node of connectivity between China and the ASEAN region.

Besides, Laos’ BRI-backed infrastructure upgrades have enjoyed over recent years. Not only the China-funded Laos-China Railway project, but it has also transpired that the Lao government and the Guangdong Yellow River Industria Group (GYRIG) have come to an agreement on the proposed development of a Special Economic Zone (SEZ) in the country’s Champassak province. In addition, BRI-backed infrastructure by road and rail further links together several China-backed Special Economic Zones (SEZ), with the Mohan-Boten Economic Cooperation Zone on the China-Lao border as the BRI’s prime gateway in Laos.

3. CURRENT STATUS OF CHINA’S BRI IMPLEMENTATION IN LAOS

China and Laos have begun new strategic connectivity at the government level under BRI framework. In September 2016, Chinese Premier Li Keqiang attended the ASEAN meetings and issued a joint communique with Lao leaders while visiting Laos. The two sides decided to speed up connecting China’s BRI and 13th Five-Year Plan with Laos’ “Landlocked to Land-linked Transition” strategy and 8th Five-Year Plan. They resolved to formulate and implement a joint plan to advance the BRI, make solid efforts to promote production capacity and investment cooperation, and bring economic and technological cooperation plans into full play. The Chinese side vowed to assist Laos in the formulation of special economic development plan and continue support within its capacity for sustainable economic and social development in Laos.

The two countries will actively carry forward the China-Laos Railway Project which aims to build 417 km railway within five years and involves a total investment of 37.4 billion yuan (RMB). The groundbreaking ceremony took place in Luang Prabang province of Laos on December 25, 2016, marking a new phase of the railway construction (SIIS 2016). In the meantime, in September 2016, China and Laos signed the “Memorandum of Understanding on Compiling the Outline of Jointly Promoting the Cooperation Plan for the Construction of the BRI”, which became the countries in the Indochina Peninsula; In April 2019, China and Laos signed the Action Plan for Building a China-Laos Community with a Shared Future. China and Laos have a high degree of consensus and cooperation space in the BRI and the concept of a community with a shared future for mankind. Both documents regard the construction of the China-Laos railway as a demonstration project to connect China and Laos and promote comprehensive cooperation. Its full opening has important strategic significance for deepening cooperation between China and Laos (Customs.gov.cn 2021).

Road connectivity and infrastructure construction on the North-South Economic Corridor are urgently promoted by the China’s government. Up to now, the North-South Corridor system has been put into operation, connecting traffic between China and Mekong Subregion countries. The North-South Corridor in the West (Kunning-Laos-Bangkok highway) was officially put into use in 2008. The China’s government and the Thailand’s government have provided half of the cost for building the third largest bridge crossing the Mekong River connecting the border between Thailand and Laos, this work was officially started in February 2010 and completed at the end of 2012. The medium route (Kunning-Hanoi-Hai Phong) of North-South Economic Corridor. Roads on the South route (Kunning-Daili-Ruili-Myanmar) of North-South Economic Corridor with the route total length of 820 km, from September 2010 up to now, China and Myanmar have established the Joint Work Group to cooperate to initiate the master planing for this route.

In connecting railway, China actively participates in trans-Asia railway cooperation. The plan to build three railway routes including East route, Mid route and West route in the master plan of trans-Asia Railway, particularly in the section inside Chinese territory was included in the “Mid-to-Long-Term Railway Network Plan” (中长期铁路网规划) by China’s government, at the same
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time, it is being urgently deployed. Thus, a multinational traffic network with the focal point of Kunming-China has been and will be spread across Southeast Asian countries, from the road system in the North-South Economic Corridor project connecting China with Vietnam, Cambodia, Thailand, to the trans-Asia railway stretching from Kunming to Singapore by China-Indochina Peninsula Economic Corridor.

In the field of trade, along with increasing investment and connecting infrastructure with Laos and other Mekong countries, China has also strengthened trade relations, and Beijing is now rapidly overtaking other competitors in becoming important trade partner of Laos. In November 2016, China and Laos signed the “Agreement on Strengthening Economic and Trade Cooperation in Border Areas between the Two Countries”.

By the end of 2017, China was the leading trade partner for most of the countries in the region. China is Laos’ second largest trading partner. China is the third largest importer of Laos. At the same time, China is the second largest export market of Laos. From China perspective, Laos in increasingly important trade partner of China. For Laos, China is also an increasingly important trading partner of the country. Laos’ trade balance with China has also improved in recent years (see Figure 1).

Figure 1. Laos trade in goods with China, 2012-2021
(in million USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Turnover</th>
<th>Laos Exports to China</th>
<th>Laos Imports from China</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>625.9</td>
<td>170.74</td>
<td>518.16</td>
<td>-410.42</td>
</tr>
<tr>
<td>2013</td>
<td>912.09</td>
<td>1280.79</td>
<td>107.74</td>
<td>-702.05</td>
</tr>
<tr>
<td>2014</td>
<td>1752.74</td>
<td>2154.51</td>
<td>1039.45</td>
<td>-1080.94</td>
</tr>
<tr>
<td>2015</td>
<td>2154.51</td>
<td>2749.48</td>
<td>1321.58</td>
<td>-1427.90</td>
</tr>
<tr>
<td>2016</td>
<td>1513.70</td>
<td>1239.83</td>
<td>832.93</td>
<td>-1076.20</td>
</tr>
<tr>
<td>2017</td>
<td>3353.32</td>
<td>1599.65</td>
<td>1283.62</td>
<td>-1022.03</td>
</tr>
<tr>
<td>2018</td>
<td>2760.92</td>
<td>1681.04</td>
<td>1294.97</td>
<td>-386.07</td>
</tr>
<tr>
<td>2019</td>
<td>4350.00</td>
<td>1670.00</td>
<td>1670.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: The data is calculated from: https://data.aseanstats.org/trade-annually and http://zgmh.net/Article_show.aspx?chid=11&id=36884

In the field of investment, China accelerates investment in infrastructure in Laos within the BRI framework. China is Laos’ biggest investor, undertaking 815 projects worth more than $16 billion from 1989 to July 2021. Despite the pandemic disruption, China continued to invest in 21 projects in Laos in 2020, with total investment reaching $2.5 billion. Projects were in the mining, services, electricity, agriculture and infrastructure sectors (Yang Han and Zhang Li 2021).

The China-Laos Railway project: In December 2021, Laos inaugurated the Boten-Vientiane railway, a 141 km electric high-speed railway that run between the capital Vientiane and the town of Boten on the Laos-China border, is the first railway project built with Chinese investment, jointly operated by China and Laos and directly connected to China’s railway network. The new railway, this is expected to be able to help Laos transform the country from a landlocked country that was the least industrialized in ASEAN into a land-linked hub that connects to the wide region. The Laos-China marks a landmark project under the BRI. According to the Xinhuanet, this railway as an important part of the trans-Asian railway network, is of great strategic and practical
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significance to Laos, according to a signed article entitled “Jointly building a community of shared future with strategic significance between China and Laos.” In addition, the operation of the China-Laos railway sparked hopes for better regional connectivity.

As the docking project between the China-proposed BRI and Laos’ strategy to convert itself from a landlocked country to a land-linked hub (Deng Xiaoci 2021), the China-Laos railway is the biggest public project in Laos’ history (Globletimes 2021), it connects China’s southeastern city Kunming, Yunnan province, to the Laos capital Vientiane, stretching 1,035 km, and traversing mountains and water systems. Laos state news agency KPL in December 03, 2022, stated the project was part of the government’s strategy to convert Laos from a landlocked country to a land-linked one. The railway, which China hopes to eventually extend to Singapore, is part of its ambitious BRI (Reuters 2021). The railway connects Laos with not only China, but also the entire BRI network. And, it will bring a significant reduction on transport costs by some 30-50 percent depending on method of calculation, and is expected to increase trade between China and Laos to 3.7 million tons of cargo by 2030 (Deng Xiaoci 2021).

The electric trains on the track can go as fast as 160 km per hour, linking Vientiane and Boten in about three hours. The track passes through 75 tunnels that have a combined length of some 197 km. Construction ran for over four years from late 2016 after a formal agreement between the governments of Laos and China in 2015. It was built at a cost of about $5.9 billion, about $3.5 billion of it borrowed from the Export-Import Bank of China. Laos-China Railway Co., a joint venture 70 percent owned by China and the remainder by Laos, built the railway. It also has the right to operate the railway for the concession period of 50 years. After that, the Lao government will take over. Given most of the costs were borne by China, Laos’ dependence in China is likely to increase. That has led to concerns about the “debt trap” in which recipient countries of Chinese investment are saddled with loans they cannot repay (Kyodonews 2021).

Speaking at a routine press conference on December 01, 2021, Chinese Foreign Ministry spokesperson Wang Wenbin told the media that as China and Laos, two socialist friendly neighbours, celebrate the 60th anniversary of the establishment of bilateral ties, it is a grand and joyous milestone event to have the two heads of state witness the opening of the China-Laos Railway. China believes that the railway could help Laos turn its strategy of turning from a landlocked country to a land-linked hub into reality, accelerate the joint construction of a community of shared future of the two countries (Reuters 2021), benefit the two countries’ people, boost regional connectivity and supply chain resilience, and make contributions to regional development and prosperity (Deng Xiaoci 2021). Chinese president Xi Jinping told Lao president Thongluon Sinoulith via video link on December 03, 2021 that China will ensure the maintenance and security of the railway and build high-quality, sustainable and people-friendly economic belts along the route (Globaltimes 2021).

The China-Laos railway is a dovetailing of China’s BRI and Laos’ strategy to change from a “landlocked country” to a “land-linked country”. It is also an international railway that completely uses Chinese standards, marking an important step in the “soft connectivity” between China and countries along the BRI, and will strengthen the foundation for LMC and the construction of the China-ASEAN Community of Shared Future. In addition, the opening of the China-Laos railway marks a major breakthrough in the construction of the China-Indochina Economic Corridor and the Central Line of the Trans-Asian Railway. This railway can significantly reduce the logistics costs of exporting materials from China’s Great Southwest to the countries of the Indochina Peninsula, and also shorten the transportation time significantly. Furthermore, the opening of this railway can promote the development of cooperation in cross-border eco-industrial parks, cross-border industries, cross-border tourism and cross-border finance between China and Laos, thus promoting the deepening of the building of the China-Laos Community with a Shared Future (Cfisnet 2021). In addition, Chinese side also stated the China-Laos Railway is landmark project for the implementation of China’s BRI and the construction of a China-Laos Community with a Shared Future (Customs.gov.vn 2021).

However, economists have warned that the rail project could make it difficult for Laos, one of Asia’s poorest nations, to repay external debt, much of it owed to China (Reuters 2021). By contrast, the Chinese side has always denied Western accusations of debt traps relations to BRI projects. Xu Liping, director of the Center for Southeast Asian Studies at the Chinese Academy of Social Sciences in Beijing, for example, told the Global Times (Huanqiu) on December 03, 2021, Western countries do not understand the current development mode of emerging countries, which is different from how they developed. Such hype was hardly a scarcity on Western media that has long spared no effort to downplay the benefits of the BRI. He added “the saying of ‘debt trap’ is out of misunderstanding by Western countries. Meanwhile, the operation made of the railway projects initiated by China is different from the ‘traditional’ Western mode.” (Globaltimes 2021)

Building China-Laos Cross-Border Economic Cooperation Zone: in the context of China’s BRI strategy and the Laos National Special Zone strategy, the two countries jointly construct and develop the China-Laos Mohan-Boten Economic Cooperation Zone. The China side area is located in Mohan town of Meuangmuanbanna region in Yunnan province, with a planned area of 4.83 square kilometers, the Laos side area is located in Boten Economic Zone of Namtha province, with a planned area of 16.4 square kilometers. These two regions are together called “China-Laos Mohan-Boten Economic Cooperation Zone”, which is a cross-border economic cooperation zone. As a key hub of China-Indochina Peninsula economic corridor that connects China and Laos, its is an important node connecting the Silk Road Economic Belt and the 21st Century Maritime Silk Road, and is expected to develop into an important growth pole, so it has prominent location advantages and great geopolitical significance. China and Laos signed the China-Laos Joint General Scheme for Mohan-Boten Cross-Border Economic Cooperation Zone on August 31, 2015. The
Two sides have decided to establish the Mohan-Boten Cross-Border Economic Cooperation Zone in order to promote the BRI, consolidate and develop the comprehensive strategic partnership and enhance beneficial cooperation. (MOFCOM 2015)

While this bilateral plan was predated by the establishment of the Boten SEZ in 2009 directed by the Lao government, little had happened through 2015. The ECZ became China’s way to jump-start and scale up the Boten SEZ by building a new and much larger city where the Boten zone is located, on the Lao side of the border. The construction has been undertaken by Haicheng, a private real estate development company based in Kunming. The signing of another joint development master plan for the ECZ in 2016 accelerated the construction, with the vision and goal of turning the zone into a comprehensive and finance; duty-free logistics; culture, education and health care; and tourism and vacation. It recalls Shenzhen’s functional expansion into a real city from its early years of industrial dominance (Xiangming Chen 2020).

The China-Laos case reflects the dominance of Chinese state capital and a narrower focus on cross-border transport infrastructure in the China-Laos railway, although the new China-Laos Economic Cooperation Zone in Boten is being built up rapidly as a hub for anchoring cross-border regional development. It is also too early to gauge the prospect of manufacturing-oriented Special Economic Zones (SEZs) being built and planned near some stations of the China-Laos railway such as the China-Laos cooperative Saysettha Developmet Zon (SDZ) located only 1.5 km from the railway’s terminal station of Vientiane. Laos’ SEZs are expected to host labor-intensive industries, some of which have left China for Southeast Asia due to its more expensive labour and land and upgrading to high-tech manufacturing in new zones. Being built by Yunnan Construction and Investment Holding Group Co., a large state-owned enterprise (SOE) specialized in construction form Yunnan, to host more than manufacturing to include logistics, commerce and other associated functions of a new city, the SDZ is large version of the Mohan-Boten ECZ and also stands to benefit from being on the outskirts of Laos’ capital of Vientiane (Xiangming Chen 2020).

For the problems associated with China’s investment in Laos under the BRI: Laos is one of the top countries at risk of Chinese “debt trap” (Nehginpao Kipgen and Megha Gupta 2020). Some studies, show that Laos risks falling into a vicious debt cycle, closely related to infrastructure lending from Chinese financial institutions (Barney, Keith and Souksakoun, Kanya 2021, pp.94-113). There is a concern that the rail project might lead to a “debt trap” since the project is worth about one-third of the country’s GDP, and China funds 70 percent of the total costs. As a result, Laos has inured an estimated $1.5 billion in external debt due to China (Guild James 2020). In 2017 the World Bank (WB) and International Monetary Fund (IMF), in 2019, identified Laos as at a high risk of debt distress, through the Low-Income Country Debt Sustainability Framework. IMF in 2017 identified the risk of Lao PDR facing external debt distress has risen from moderate to high (IMF 2017) While the accumulation of sovereign debt in itself is not necessarily a problem, Laos’ position as a small, emerging economy places the country at heightened risk of distress. Funding for resource projects has produced mismatches between the short-term maturity of debt obligations and the longer-term mobilisation of state revenue the foreign currency denomination of much of the debt, which exceeds Lao’s foreign exchange reserves, is now at risk of producing a reinforcing financial (banking and liquidity) crunch (Barney, Keith and Souksakoun, Kanya 2021, p.95).

By 2019, Laos’ total external debt stood at $16.9 billion, of which $10.3 billion was public and publicly guaranteed (PPG) debt, corresponding to 88 percent and 54 percent of GDP, respectively. While these levels of debt to GDP are not in themselves exceptionally high, in their initial sovereign rating of Laos, however, the risks of possible additional ‘contingent liabilities’, estimated at up to 30 percent of GDP, from public-private partnerships (PPPs). These PPPs are concentrated in hydropower and the China-Laos railway project. In terms of the composition of creditors, in mid-2020 China accounted for nearly half (47 percent) of Laos’ total external public debt, with the remainder consisting of multilateral concessionary loans (split between the ADB and the WB, 17 percent), 17 percent through the commercial bond market ex-China bilateral loans (11 percent) and other non-concessionary loans (8 percent) (Barney, Keith and Souksakoun, Kanya 2021, p.95).

In the field of financial cooperation, on January 06, 2020, the People’s Bank of China and the Bank of Laos signed a bilateral local currency cooperation agreement, allowing both countries to directly use their local currencies for settlement in all current and capital transactions that the two countries have liberalized, which is conducive to further deepening China-Laos monetary and financial cooperation, improving the level of bilateral local currency use, and promoting trade and investment facilitation (Fta.mofcom 2020).

4. CONCLUSION
The BRI should not be understood one-sidedly as a powerful Chinese campaign operating in the empty space and passive frontier of a weak Lao state. On the contrary, Laos also leverages the BRI as a tool to realize its national development ambitions and regional connectivity strategy. The Lao government hold a positive view on the investment of Chinese enterprises in this country, arguing that Chinese projects under the BRI have made positive contribution to local economic development, job creation, and improvement in livelihood. Nevertheless, problems exist, such as the localization of employees in Chinese enterprises, legal issues caused by the utilization of land, and environmental problems caused by Chinese investment.

For the Chinese aid to Laos under the BRI, Lao government view Chinese aid most positively, and hope that China can increase its aid to Laos. One of the reasons for this popularity is that China has helped alleviated infrastructure shortage, such as...
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hospitals, roads, schools, and sports facilities, and Chinese aid projects are completed rather efficiently and on time. Laos’ views on Chinese aid projects are generally positive, especially for projects that bring benefits to the welfare of local people. However, criticism of Chinese aid is not absent. Some local non-governmental organizations (NGOs) have expressed their concerns. First, infrastructure aid and investment projects are associated population, and accompanying environmental projection. Second, in addition to grant, interest-free loans from China and especially the large volume of concessional loans have triggered debates and concerns on Laos could possibly fall into a “deb t trap”. Third, there are also concerns on low transparency in Chinese aid. Local people and NGOs limited knowledge of and participation on China’s aid projects, and the coverage and benefits of aid need to be broadened to engage more local potulation.

The initial success of China’s BRI in Laos was marked by the inauguration of China-funded Laos-China railway project had passed the 20 percent completion mark. With the operation of the railway, which has a maximum operating speed of 160km/h, Laos has been converting itself from a landlocked country into a land-linked hub in the region. In spite of China’s strategy of building mega infrastructure projects under BRI has drawn global criticism both from the recipient countries as well as international observers, especially the potential debt traps these projects reate, apart from socio-economic and environmental impacts. But for Laos, it views China’s BRI relatively positively. Fears of the project becoming a “debt traps” are prominent, since the total cost of the project is equivalent to nearly one-third of Laos’ GDP. However, the media in China and Laos have instead focussed on the enthusiasm of those, both locals and foreigners, who participated in the train’s first journey. The project was long-awaited, and it transformed Laos from a landlocked country to a rail-connected one, with hopes of further expansion to Thailand and beyond.

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