

Laos in 2018

Deglobalization?

ABSTRACT

As usual, there is mostly continuity in Laos: solid economic growth, a strong ruling communist party, increasing dependence on China, growing inequality, and tight control of civil society. A new trend, apart from the return of a socialist rhetoric, is an official appraisal of self-sufficiency and anti-globalization.

KEYWORDS: deglobalization, inequality, state control, Laos, socialist rhetoric

AS MANY DEMOCRACIES UNDERGO a shift toward populist and nationalist parties, one may wonder what happens to socialist one-party states, where such a turn is constitutionally impossible. Well, Laos is experiencing a similar tendency, which could fall under the heading of deglobalization. Prime Minister Thongloun Sisoulith has suggested reconsidering the idea of development and emphasizing Lao traditions and self-sufficiency.¹ However, this tendency toward deglobalization is not all-encompassing since Laos is still dependent on foreign aid and on economic integration within Asia.

ECONOMY

Persistent high growth rates bear witness to the relevance of globalization in Laos, since total consumer spending and capital stocks in the small country are still low. Foreign aid and investment, as well as the export of raw materials, continue to be the drivers of economic growth, which is expected to stand

BOIKE REHBEIN is Professor of Transformation and Society in Asia and Africa, Humboldt University Berlin, Germany. Email: <rehbein@hu-berlin.de>.

1. Thongloun Sisoulith, "Support Prime Minister Thongloun Sisoulith," Facebook, July 20, 2018, <<https://www.facebook.com/ThonglounSISOULITH/posts/1633062466804886>>.

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at 6.8% in 2018, just like the year before.² Per capita annual income has increased tenfold since 2000 and reached US\$ 2,270. Consumers also profited from a further drop in the rate of inflation to 0.8% in 2017, but this is likely to have increased again to 2% in 2018.³ The industrial base keeps expanding as well, in contrast to many lower-income countries. General conditions for economic activity have improved. Time to start a business was halved between 2000 and 2018—but it still takes 67 days on average.⁴ However, the relatively low level of skills in Laos limits further industrial expansion and especially progress into segments of high productivity and technology.

Prime Minister Thongloun continues his struggle against corruption. Virtually every other week, the State Inspection Agency uncovers hidden wealth and identifies corrupt officials. More than 100 persons have been charged with corruption in the process, and tens of millions of dollars have been returned to the state. In October 2018, 211 billion kip (US\$ 25 million) in corruption money was traced to Sayaboury Province and 24 officials were accused as a consequence.⁵ The struggle against corruption can be interpreted as political streamlining of high-level administration or as a socialist purge—either way, it strengthens the political center and its ideological return to a socialist agenda.

Socioeconomic inequality contradicts the socialist agenda. As wealth concentration among urban elites keeps increasing, the government denies that inequality is a problem and acknowledges merely the existence of poverty. However, the struggle against poverty has stalled as well and has not significantly reduced poverty rates in recent years. As a consequence, Oxfam identifies Laos as one of the countries least committed to the fight against inequality. In its Commitment to Reducing Inequality Index (2018), which combines indicators of social spending, taxes, and labor rights, it ranks Laos 150th out of 157 countries.⁶

2. Asian Development Bank, *Asian Development Outlook*, Manila, 2018.

3. Ibid.

4. World Bank, *World Bank Indicators*, Washington, DC, 2018, <http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=LAO>.

5. *Vientiane Times*, October 24, 2018.

6. Oxfam, *Commitment to Reducing Inequality Index*, Oxford, 2018.

While inequality contradicts the socialist agenda, accelerating regional integration contradicts the nationalist agenda. The rail link between Boten and Vientiane, which connects the Chinese railway with the Thai network, is reported to be more than one-third complete and is expected to open as scheduled in late 2021. The 417 km of track is expected to cost around US\$ 6 billion, most of which will have to be paid by the Lao government eventually. From the Chinese perspective, the project is part of the Belt and Road Initiative and offers access to Thailand and the Gulf of Thailand and adjoining waters. From the Lao perspective, it will accelerate globalization and dependency on China, which has become and is expected to remain the largest investor in Laos.⁷ Apart from the strengthened links to China, foreign trade increased in 2018 once again; merchandise imports rose by 13.6% and exports by 16.1%.⁸

POLITICS

The Lao government's actions in international and domestic politics reflect a tendency toward deglobalization within a general framework of continuing globalization. Laos has subscribed to the Agenda 2030 and accepted almost all the Sustainable Development Goals (SDGs). In 2018, it submitted the first Voluntary National Review (VNR). This report clearly states that the SDGs have to be adapted to the national agenda of the Lao government: "The first lesson drawn from the VNR process is that SDGs localization has to be sequenced to converge seamlessly with the development of national plans."⁹ It is not surprising that the government should give priority to its own goals, but these goals partly contradict the Agenda 2030. This contradiction can be interpreted in the light of Laos's return to socialist rhetoric, which is reflected in Thongloun's suggestion of national self-sufficiency. From this perspective, the Agenda 2030 is supposed to help Laos gain self-sufficiency as a milestone toward a socialist regime.

7. *Vietnam Plus*, December 29, 2018.

8. Asian Development Bank, *Asian Development Outlook*, Manila, 2018.

9. United Nations, "Lao People's Democratic Republic: Voluntary National Review on the Implementation of the 2030 Agenda for Sustainable Development," New York, 2018, <<http://www.la.one.un.org/media-center/publications/394-lao-people-s-democratic-republic-voluntary-national-review-on-the-implementation-of-the-2030-agenda-for-sustainable-development>>.

This is in line with the tightening of state control since 2016. Decree 115, allowing civil society organizations, and the Internet censorship law were revised in 2016/17. Civil society, oppositional voices, and foreign actors are in a more difficult position now than ever before in the twenty-first century, even though Internet control by the Lao government has not been very effective—another consequence of globalization.

The main question is how serious the leadership of the Lao People's Revolutionary Party really is about the return to a socialist agenda. Many of the developments outlined above suggest that the Party Congress of 2016 strengthened not only the forces associated with the revolution of 1975 and the Vietnamese Communist Party but also the agenda pursued by the revolution. However, all of them can also be interpreted as attempts to regain some of the control that was eroded by globalization.

SOCIETY

The main argument against the seriousness of a return to the path toward socialism is the state of Lao society. How is socialism possible in an increasingly unequal society? Inequality, and the government's refusal to address it, will become the main challenge for Laos over the coming years, since the socialist rhetoric depends on the claim that an equal, classless society is the long-term goal.¹⁰ At present, the population welcomes Thongloun's struggle against corruption and the egalitarian rhetoric. But at some point, the disadvantaged portions of the population as well as the urban middle classes will want to see some actual inequality reduction.

Instead of reducing inequality, the Lao government continues to focus on economic development. The official policy is to favor large projects, such as electricity generation and mining. The reason is that, due to the lack of skills in the population, these projects offer the largest returns and contribute significantly to the stock of capital. However, most of the projects are carried out against the will of the population. While some projects entail a decent number of local jobs, all imply displacement and loss of traditional livelihoods. Negative consequences for the environment have been covered up but are known to the population. The discussions increased in 2018. The main

10. Boike Rehbein, *Society in Contemporary Laos: Capitalism, Habitus and Belief* (London: Routledge, 2017).

media event of the year was the floods during the rainy season. The deadliest single flood resulted from the collapse of a dam. The question of whether large-scale projects are the way forward for Laos can no longer be ignored.

At the same time, globalization is increasing in the society at large. According to *Internet World Stats*, Internet access skyrocketed from 22% in 2017 to 35% in 2018. An increasing number of Lao citizens travel abroad, while many migrant workers have returned from Thailand. Thai media sources continue to be favored over domestic sources of information and entertainment. Finally, more and more Chinese and Vietnamese are settling in Laos, and Vientiane has become the metropolis not only for Laos but also for the Northern Isan region in Thailand—as it was before the revolution. It will not be possible for the Lao government to control the flow of people and information as tightly as it did in the period immediately after 1975.

An interesting and significant driver of globalization is crime.¹¹ Laos is an important exporter of as well as a transit zone for amphetamines. Modern drugs are spreading among Lao youth, just as in the neighboring countries, spawning a growing transnational business. The King Romans Casino in the Golden Triangle has been found to be involved not only in the drug trade but also in money laundering.¹² Laos seems to have become a destination for rich Chinese who want to evade tax authorities and state control—on a small scale for 20 years, and on a large scale for a few years.

11. Oliver Tappe, “On the Right Track? The Lao People’s Democratic Republic in 2017,” in *Southeast Asian Affairs 2018* (Singapore: ISEAS, 2018): 169–183, p. 174.

12. Reuters, January 31, 2018.