Laos: Background and U.S. Relations

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January 4, 2010
Summary

The United States and the Lao People’s Democratic Republic (LPDR) cooperate in important areas despite ideological differences and U.S. concerns about alleged human rights abuses against the ethnic Hmong minority. The U.S. government has gradually upgraded its relations with the communist state, which has strong ties to Vietnam and growing economic linkages with China. Major areas of U.S. assistance and bilateral cooperation include de-mining and counter-narcotics programs, strengthening the country’s regulatory framework and trade capacity, HIV/AIDS prevention and treatment, the recovery of Americans missing in action during the Vietnam War, and military education and training. In 2008, the United States and Laos exchanged defense attachés the first time in over 30 years. The U.S. government has embarked upon a policy of economic engagement with the LPDR as a means of influencing the future direction of Lao policy.

The Obama Administration and Members of Congress have expressed concerns about the plight of former ethnic Hmong insurgents and their families, who have historical ties to the U.S.-backed Lao-Hmong guerilla army of the Vietnam War period, and efforts by Thai authorities to repatriate over 4,500 Lao-Hmong living in camps in Thailand, many of whom claim that they likely will be persecuted or discriminated against if they return to Laos. In June 2009, 31 Members of Congress signed a letter to Secretary of State Hillary Clinton urging her to appeal to the Thai government not to forcibly repatriate Hmong asylum seekers. U.S. officials have called upon the Thai and Lao governments for greater transparency in the repatriation and resettlement process. In April 2009, H.Con.Res. 112, “Expressing Support for Designation of a ‘National Lao-Hmong Recognition Day,’” was introduced in the House of Representatives.

Laos, one of the poorest countries in Asia, has made some notable political, social, and economic progress in recent years. Religious freedom reportedly has improved, particularly in urban areas. In 2009, the LPDR ratified the United Nations International Covenant on Civil and Political Rights and promulgated a legal framework for non-governmental organizations. Opium production and use have dropped dramatically since 1998. Between 1988 and 2008, the economy grew by over 6% per year, with the exception of 1997-1998 due to the Asian Financial Crisis. Meanwhile, U.S.-Laos trade has grown rapidly, albeit from a low base. In 2008, total trade between Laos and the United States was valued at $60 million compared to $15 million in 2006. The government has implemented market-oriented reforms, but progress has been slow.

Major U.S. policy considerations include urging the Lao government to accept independent, international monitoring of the resettlement of former Lao-Hmong insurgents and Hmong returnees from Thailand; urging the Thai government not to forcibly repatriate Hmong determined to be political refugees; increasing assistance for de-mining activities in Laos; granting trade preferences or tariff relief for Lao products, particularly garments; and developing programs for sustainable management of the Mekong River.
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Overview

The United States and the Lao People’s Democratic Republic (LPDR), a small, largely agrarian Southeast Asian country ruled by a communist government, cooperate in many areas despite ideological differences and U.S. concerns about the ethnic Hmong minority. The slow warming of bilateral relations reflect efforts by the U.S. government to pay more attention to Southeast Asia in general and by the Lao government to broaden its foreign ties as China becomes more influential in the region. The U.S. government has embarked upon a policy of economic engagement with Laos, expanding technical assistance to the Lao government to build its capacity to implement trade agreements and modernize its legal and regulatory framework: “This is probably the most important action the U.S. Government can currently take to influence the future direction of Laos’ policy.” In June 2009, the Obama Administration removed the prohibition on U.S. Export-Import Bank financing for U.S. companies seeking to do business in Laos, citing Laos’ commitment to opening its markets.

In other areas of the relationship, the U.S. government has noted progress and bilateral cooperation. In 2008, the United States and Laos exchanged defense attachés (the first time in over 30 years). Although substantial restrictions on civil rights and political freedoms remain, fewer human rights abuses have been reported in recent years. The country was upgraded to Tier 2 on the U.S. State Department’s trafficking in persons list in 2007, and in 2008-2009 the Lao government “demonstrated some progress in its anti-trafficking law enforcement.” However, Laos increasingly has become a transit area for the trafficking of Vietnamese, Chinese, and Burmese women destined for Thailand. Bilateral cooperation on counter-narcotics activities has contributed to a 96% decline in opium production between 1998 and 2007, although smuggled methamphetamine use reportedly has risen among Lao youth.

Major areas for U.S. policy consideration include urging the Lao government to accept international monitoring of the resettlement of former Hmong militia members and returnees from Thailand; increasing assistance for de-mining activities; granting trade preferences or tariff relief for Lao products, particularly garments; and developing programs for sustainable management of the Mekong River.

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1 U.S. Department of State, FY2010 Congressional Budget Justification for Foreign Operations.
U.S. Assistance Programs

The United States provides relatively little foreign assistance to Laos. U.S. State Department funding for foreign operations programs in Laos in FY2009 was estimated to be $5.0 million compared to $5.8 million in 2008. By comparison, the United States provided neighboring Cambodia, a country of similar economic development, roughly $65 million in FY2009. The largest aid programs in Laos focus on de-mining and counternarcotics programs. New programs include those strengthening the country’s legal and regulatory framework and trade capacity. Other, ongoing areas of U.S. assistance and bilateral cooperation include HIV/AIDS prevention and treatment, military education (training in English language and military professionalism), and the recovery of Americans missing in action (MIAs).5 U.S. public diplomacy programs in Laos include support for libraries, providing access to international news and Western media, English language training, sponsoring Lao government officials studying in the United States through the International Visitor Leadership Program, and lectures and workshops on U.S. political and legal institutions.6

Unexploded Ordnance

Over 2.5 million tons of U.S. munitions were dropped on Laos during the Vietnam War, more than the amount inflicted on Germany and Japan combined during World War II. Unexploded ordnance (UXO), which affects between one-quarter and one-third of the country’s land area, causes an average of 120-300 deaths per year.7 U.S. funding for de-mining activities has fallen from a high of $3.3 million in FY2006 to an estimated $1.9 million in FY2009. The LPDR also receives assistance through the Leahy War Victims Fund. Ongoing Leahy programs include education and employment for people with disabilities ($280,000), support for children ($992,900), and medical care, rehabilitation, and socio-economic integration services ($1,380,000).8

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5 Since 1985, the United States Joint POW/MIA Accounting Command (JPAC) recovery teams have carried out over 100 missions in the LPDR with the cooperation of the Lao government. “Recovery Agency Teams Complete 100th Laos Mission,” Department of Defense Documents, August 10, 2007.
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Political Situation

Laos is ruled by the Lao People’s Revolutionary Party (LPRP), which is committed to maintaining a one-party state. According to many experts, the LPRP’s hold on the government, legislature, courts, labor unions, mass media, and society remains firm, in part through an extensive security apparatus. Despite restrictions on political activities, relations between Lao citizens and the government generally have been calm in recent years.

The government under Prime Minister Bouasone Bouphavanh has made some efforts to energize the Lao economy and society as well as make the government more responsive. It has pursued pro-market reforms and attempted to reduce political corruption and cronyism. In addition, the National Assembly reportedly has become more vocal about corruption, government accountability, and economic policy. In 2008, the National Assembly passed laws allowing for private ownership of media outlets and the formation of civil society groups. In May 2009, Prime Minister Bouasone signed the Decree on Associations establishing a legal framework for the formation of local non-governmental organizations (NGOs), which foreign activists say is key toward establishing an effective international NGO presence and civil society in Laos. In 2009, the LPDR ratified the United Nations International Covenant on Civil and Political Rights.

Anti-government activities, such as public protests and bombings, have all but disappeared since the 1999-2004 period. During that time, university students and teachers staged two demonstrations for democratic reforms. Rebel militias operating out of Thailand carried out several attacks on Lao border posts. Anti-government groups detonated over a dozen small bombs in the capital, Vientiane, and other cities, killing several people. Several ambushes of highway buses and other vehicles, in which over 40 people died, were reported. These isolated attacks, which the Lao government either downplayed or for which it blamed Hmong insurgents, however, did not spark widespread anti-government activity.

Foreign Relations

Once dominated by its links to Vietnam, Laos’ foreign policy horizons have broadened to include Southeast Asian regional powers and the United States. Laos has maintained a “special relationship” with Vietnam since the communist victories in the two countries in 1975 and formalized in a 1977 Treaty Of Friendship And Cooperation. Vietnam’s influence on Laos

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remains strong and paternalistic, particularly in political and military affairs and among the Revolutionary Party’s old guard, although China’s economic influence is growing. Laos’ northern provinces reportedly are becoming economically integrated with China’s Yunnan province, while Chinese commercial influence is emerging in Vientiane. In addition, China has become a principal source of economic assistance, including grants, low-interest loans, technical assistance, and foreign investment. Some observers believe that Hanoi has encouraged the Lao government to improve relations with the United States in an effort to counteract Chinese influence.

Laos also has cultivated good relations with other neighbors. The LPDR shares cultural and religious traditions and maintains close economic ties with Thailand, and its relations with Cambodia and Burma (Myanmar) are generally cordial. Laos joined the Association of Southeast Asian Nations (ASEAN) in 1997, partly to tie its development to the group’s growing internal and external trade linkages. As a member of ASEAN, Laos is a party to the ASEAN Free Trade Area (AFTA), which requires Laos to fully comply with tariff reduction requirements by 2015. Vientiane hosted the 10th ASEAN Summit in November 2004, the ASEAN Ministerial Meeting in July 2005, and the Southeast Asian Games in December 2009.10

The United States and Japan have stepped up efforts to engage the lower Mekong sub-region of which Laos is a part. In July 2009, Secretary of State Hillary Clinton attended the ASEAN Regional Forum in Thailand, which focuses on regional political and security matters. On the sidelines of this gathering, Clinton participated in the first U.S.-Lower Mekong Delta Ministerial meeting. At the Ministerial meeting, which included the nations of Cambodia, Laos, Thailand, and Vietnam, the United States pledged to continue or enhance cooperation and assistance in the areas of the environment, health, and education.11 In recent years, Japan also has made an attempt to enhance ties in the sub-region, largely reflecting a response to China’s growing influence. In November 2009, Japanese Prime Minister Yukio Hatoyama pledged $5.5 billion in assistance to the Mekong delta sub-region.12

All lower Mekong countries are members of the Mekong River Commission (MRC), founded in 1995, which works to facilitate cooperation and sustainable management of water. Members of the MRC are concerned about the existing and potential adverse impacts of the operation of Chinese dams in the upper reaches of the Mekong upon the environment, fish stocks, and agriculture downstream.13 In 2009, the United States pledged more than $7 million for environmental programs in the lower Mekong.14

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10 ASEAN members are: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, Vietnam.
12 “Japan Vows $5.5 Bln Aid to Mekong Region at Summit,” Reuters, November 6, 2009.
Economic Conditions

Laos is one of the poorest countries in Asia, with a per capita income of $2,100 (purchasing power parity) and a ranking of 133 on the United Nations Development Program’s Human Development Index, but its economic prospects are improving. The Lao economy experienced a relatively brief period of collectivization (1975-1985). In 1986, the LPDR government began a policy of economic reform—disbanding collective farms, legalizing private ownership of land, allowing market forces to determine prices, and encouraging private enterprise in all but some key industries and sectors. Between 1988 and 2008, the country’s economy grew by over 6% per year on average, with the exception of 1997-1998 due to the Asian financial crisis. Recent economic policies, including developing the taxation system, making the banking system more competitive, and reducing red tape for foreign businesses, have helped to spur foreign investment. However, progress has been slow; many analysts do not expect Laos to accede to the WTO before 2012.

Agriculture, mostly subsistence rice farming, accounts for about 39% of gross domestic product (GDP) and involves over 80% of the country’s labor force. A growing proportion of the economy, accounting for about 34% of GDP, comes from light manufacturing (garments and electronic assembly). Services constitute about 27%. Other major economic sectors include metals extraction, hydropower, timber, rubber, and tourism. The Lao economy grew by an estimated 4.5% in 2009, down from 7.5% in 2008, and is expected to grow by 7% in 2010.

Laos is becoming economically integrated with its neighbors. The LPDR’s principal trading partners are Thailand (35%), Vietnam (15%), and China (8.5%). Thailand is the largest export market for Lao goods, buying $626 million in 2008 while Vietnam imported $216 million and China $140 million. The EU is also a major regional trading partner and a large market for Lao products. Laos is still not heavily dependent upon foreign trade, however, and has been somewhat insulated from the global economic downturn. Vietnam, China, Thailand, and South Korea are the LPDR’s largest foreign investors. Many Chinese and Vietnamese companies have invested in the mining sector while Thai enterprises have played a large role in the development of hydropower. China reportedly has begun to rival Australia as the main investor in minerals extraction.

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15 Purchasing power parity takes into account the cost of living. The Human Development Index is based upon measures of life expectancy, education, literacy, and gross domestic product (GDP).
16 Central Intelligence Agency, World Factbook (November 2009); Economist Intelligence Unit, op. cit.
17 Central Intelligence Agency, op. cit.; Economist Intelligence Unit, op. cit.; U.S. Department of State, Background Note: Laos, op. cit.
U.S.-Laos Trade

U.S.-Laos trade is growing rapidly but from a low base. In 2008, total trade between Laos and the United States, the LPDR’s seventh largest trading partner, was valued at $60 million compared to $15 million in 2006. In 2008, the value of Lao exports to the United States doubled compared to the previous year, to $42 million, of which about two-thirds was apparel. In 2009 (Jan-Sept), a nearly 30% drop in clothing exports to the United States was compensated in large part by an over 4,000% increase in exports of electrical machinery.

On November 19, 2004, Congress passed the Miscellaneous Trade and Technical Corrections Act of 2004, which extended nondiscriminatory treatment to the products of Laos (signed into law as P.L. 108-429). For several years, U.S.-Laos relations were largely shaped by the U.S. debate over whether to grant Laos normal trade relations treatment. Between 1997, when the United States and Laos concluded a bilateral trade agreement, and 2004, legislation to extend NTR status to Laos faced opposition from many Members of Congress concerned about human rights conditions in Laos and the plight of the ethnic Hmong minority. Some prominent Hmong-American organizations strongly opposed enacting the trade agreement, although the Laotian-American community as a whole reportedly was split on the issue.

International Foreign Aid

Laos receives approximately $400 million in bilateral and multilateral assistance annually. The top sources of official development assistance (ODA) to Laos in 2007 were multilateral agencies, including the Asian Development Bank, the World Bank, and the United Nations Development Program ($133 million), the European Union ($103 million), Japan ($81 million), and Australia ($20 million). According to some estimates, China is a major source of economic assistance to Laos. However, these estimates generally reflect a much broader range of activity than what is typically carried out by major ODA donors and is not directly comparable to ODA as measured by the Organization for Economic Cooperation and Development (OECD).

Chinese economic assistance to Laos has included grants, concessional loans, debt relief, public works projects, infrastructure and energy development, construction of medical facilities, agricultural training, and investments on preferential terms. According to one report, Chinese grants and loans totaled approximately $325 million and $350 million, respectively, from the late

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22 Global Trade Atlas. The 27 countries of the EU, South Korea, and Japan are the fourth, fifth, and sixth largest trading partners of Laos.


24 Before Laos was granted NTR status in November 2004, the LPDR was one of only three countries (Cuba, Laos, and North Korea) that did not have normal trade relations with the United States.


26 The European Union refers to the fifteen Development Assistance Committee (DAC) members of the European Union.

27 OECD data; “Foreign Aid to Laos Tops US$400 Million Per Year,” Asia Pulse, July 21, 2009.

1990s to 2007, while investment projects totaled $876 million in value from 1990 to 2007.\textsuperscript{29} China reportedly financed and helped build the main stadium for the 25th Southeast Asian Games held in December 2009 in Vientiane. However, some Members of the Lao National Assembly reportedly opposed a Chinese plan to develop the area around the stadium, fearing that the project’s apartments would be used to house tens of thousands of Chinese construction workers.\textsuperscript{30}

### Human Rights and Humanitarian Issues

#### Religious Freedom

According to many observers, the LPDR does not engage in widespread persecution of religious groups and religious freedom has improved, particularly in urban areas. The Department of State reported, “In most areas officials generally respected the rights of members of most religious groups to worship, albeit within strict constraints imposed by the government.”\textsuperscript{31} However, non-mainstream or non-Buddhist religious activities, particularly among religious and ethnic minorities, often continue to experience repression at the local level.

From 2000 through 2003, the United States Commission on International Religious Freedom (USCIRF) recommended that the U.S. State Department designate Laos as a “country of particular concern” for systematic and egregious violations of religious freedom.\textsuperscript{32} In 2004, the Lao government and the U.S. Embassy in Vientiane conducted a joint seminar on religious freedom issues, and the USCIRF upgraded Laos to its “watch list.” In 2005, the USCIRF removed Laos from the watch list, citing the re-opening of most of its closed churches, release of almost all religious prisoners, and official denunciation of campaigns to force renunciations of faith. In 2002, the Lao government promulgated Decree 92 on religious practice. Although this decree reportedly has helped to guarantee religious freedom in many cases, it also has authorized government officials to oversee religious practice. There continue to be scattered incidences of local officials overzealously applying the law or communist orthodoxy against Christians. Abuses of authority include forcing Christian believers to renounce their faith or relinquish their bibles, detaining worshippers, or expelling them from their villages.

#### The Hmong Minority

During the Vietnam War, the United States Central Intelligence Agency (CIA) trained and armed an estimated 60,000 Hmong guerillas to fight the Vietcong. After the Lao communists took power in 1975, Lao and Vietnamese troops decimated most of the Hmong army.\textsuperscript{33} The Lao People’s

\textsuperscript{29} Songrit Phonngern, “Chinese Assistance to Laos Steadily Increases,” newsVOA.com, July 18, 2007.

\textsuperscript{30} After receiving vociferous public criticism in Laos, the project was scaled back. Brian McCartan, “New-Age Chinatown has Laotian on Edge,” Asia Times Online, July 26, 2008; Bertil Lintner, “Laos Steps into the Globalized World,” Yale Global Online, December 15, 2009.


\textsuperscript{32} Since the U.S. State Department began submitting annual reports to Congress on religious freedom pursuant to Section 102(b) of the International Religious Freedom Act of 1998, it has highlighted violations of religious freedom in Laos but has never designated the LPDR as a country of particular concern.

\textsuperscript{33} Jane Hamilton-Merritt, Tragic Mountains: The Hmong, the Americans, and the Secret Wars for Laos, 1942-1992 (Bloomington: Indiana University Press, 1992). Hamilton-Merritt suggests that as many as 30,000 Hmong soldiers and (continued...)
Army then allegedly carried out a war of attrition in the northern mountains against remaining Hmong militias and communities that had resisted surrendering. Many human rights organizations claim that the Lao military committed atrocities against the mountain Hmong, whose strength has dwindled to scattered pockets of likely no more than 1,000 persons in total. Between 2005 and 2007, according to some reports, roughly 2,000 mountain Hmong, many of them malnourished, surrendered to Lao authorities and applied for resettlement in lowland areas. Although some observers argue that the Lao government does not engage in systematic persecution of the Hmong minority, others fear that official suspicion of former insurgents would likely result in their mistreatment.

Following the communist takeover, up to one-third of the Hmong minority in Laos, which totaled 350,000 in 1974 by some estimates, fled to Thailand. Nearly 250,000 Lao-Hmong eventually resettled in the United States. In the early 1990s, the United Nations High Commissioner for Refugees (UNHCR) began to close its camps in Thailand and offered the remaining Hmong in the country a choice between resettling in third countries or returning to Laos. Most (estimates range from 30,000 to 100,000 Hmong) chose to stay in Thailand. About 30,000 returned to Laos. In 2003, the United States agreed to accept about 15,000 Hmong who had taken refuge at the Wat Tham Krabok Temple in central Thailand, after the Thai government announced that it would disperse those living there.

Between 2005 and 2009, the Thai government reportedly repatriated over 3,000 Lao-Hmong under an agreement with the Lao government. Approximately 4,500 remained at the Huai Nam Khao camp in Thailand’s Phetchabun province. Thailand has long been reluctant to allow UNHCR involvement for fear of encouraging an influx of refugees from Laos and other neighboring countries, and reportedly has restricted international access to the camp. Although many Hmong in Thailand have expressed fear of harassment or persecution if they go back to Laos, Thai authorities and some international observers have estimated that a minority – between 15% and 25% of the Huai Nam Khao group – would likely qualify as political refugees, while the remainder are “economic migrants.” In December 2009, the Thai army began deporting the Hmong at Huai Nam Khao, claiming that about half had agreed to go voluntarily.

Another group of 158 Lao-Hmong at a detention center in Nong Khai, Thailand, have been granted U.N. refugee status. The Nong Khai group has been identified as former insurgents and their family members, and have applied for political asylum in Australia, Canada, the Netherlands, and the United States. In December 2009, the Thai army deported this group back...
to Laos as well. The Thai government asserted that it had received assurances from Lao leaders that after the Hmong at Nong Khai are returned to Laos, they will be allowed to resettle in third countries. 39

The Lao government claims that it has granted amnesty to former insurgents and denied that returning Hmong face mistreatment. 40 In 2008, the Lao government reportedly arranged for some visits of international observers to a resettlement village. However, some advocates argue that the government has not allowed international groups to independently monitor or investigate conditions of former insurgents or returning Hmong.

In April 2009, H.Con.Res. 112, “Expressing Support for Designation of a ‘National Lao-Hmong Recognition Day,’” was introduced in the House of Representatives. In June 2009, 31 Members of Congress signed a letter to Secretary of State Hillary Clinton urging her to appeal to the Thai government not to forcibly repatriate Lao-Hmong asylum seekers. U.S. officials have called upon the Thai and Lao governments for greater transparency in the repatriation and resettlement processes and have recognized the refugee status of the Nong Khai detainees. In December 2009, the U.S. State Department urged Thai authorities to suspend the deportation process at Huai Nam Khao. 41

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