The Increasing Presence of China in Laos Today: A Report on Fixed Point Observation of Local Newspapers from March 2007 to February 2009

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Abstract

The increasing Chinese presence in Southeast Asia has been a topic of much media coverage and scholarly interest over recent years. This is also the case of the Lao People’s Democratic Republic. China has been making itself felt more and more tangibly. For example, high-level personal exchanges, including visits of the highest authorities of the central governments, are taking place frequently between the two countries. In addition, there are bilateral exchanges between the respective ruling parties and the military forces. But China’s most remarkable advance into Laos has been via its economic presence. Bilateral trade volume has increased and China became the number one investor into Laos. Bilateral relations are unfolding in a variety of other areas as well, such as the social field and academic/cultural domains. The Government of Laos officially welcomes China’s assistance and investment. However, there are complex feelings among the general public.

Keywords: China-Laos relations, disaster relief and anti-infectious disease measures, economic ties, mutual visits of the political leaders, party-to-party and military relations, relations in academic and cultural fields.

Introduction*

The increasing presence of China in Southeast Asia has been a topic of much media coverage and scholarly interest over recent years. This is also the case of the Lao People’s Democratic Republic (PDR), a latecomer to ASEAN and the least developed country in the region.

On September 9, 2008, Nouhak Phoumsavanh, former President of the Lao PDR, died. A number of foreign leaders sent their messages of condolence to Laos, which were made public in the local press. The first message on the front page of the *Vientiane Times* was the one from Hu Jintao, Chinese President, followed by those from the leaders of Vietnam, North Korea, Japan and Thailand. The order of the messages can be said to show symbolically how important China is for this small inland nation.

China has been developing and strengthening the bilateral bond with Laos and making itself felt more strongly at the local level. This article examines China’s activities with and in Laos by following various articles in the local English newspapers for the period from March 2007 to February 2009, when the author stayed in this Indochina country.

Unlike Japan, there is no freedom of the press in socialist Laos. In July 2008, the Lao National Assembly passed the Mass Media Law advocating freedom of speech and encouraging the press to reflect more the people’s voices, but in contradiction the Law stipulates censorship. Bureaucratic monotony largely dominates press reports in Laos.

However, the author is of the view that, despite such disadvantages, the local English papers carry at least the minimum facts of everyday life and they disseminate information the government wants to release. Because this is so, the author regards it as meaningful to follow and carefully scrutinize these articles with the purpose of knowing China’s moves in Laos.

This article is therefore a record of fixed-point-observation derived largely from reports in the *Vientiane Times* and the *KPL News*.

**Relations between Laos and China up to the Present Day**

Prior to looking into the ongoing development of Lao-Sino relations, let us briefly touch upon the past evolution of their bilateral intercourse.

Laos established diplomatic relations with China on April 25, 1961. “Between the late 1970s and mid 1980s,” says the website of the Ministry of Foreign Affairs of the People’s Republic of China, “their relations suffered twist and turns.” This frank description reflects the changing international situation in those days, which included an escalating animosity between Vietnam and the Cambodian Khmer Rouge, supported by China, from 1977, the Vietnamese invasion of Cambodia in 1978, a military clash between China and Vietnam in 1979, and the withdrawal of Vietnamese troops from Cambodia in the late 1980s. Since Vietnam is a “big brother” to Laos, its relations with China inevitably vary in accordance with those between these two big countries. “In 1989, however, Sino-Laotian relations returned to the [sic] normal,” says the same website.

Since then, bilateral relations have been unfolding at increasingly higher levels and with progressively wider dimensions. Political leaders’ visits have become more frequent at the governmental, parliamentarian and ruling-parties’ levels. The two countries have been engaged in further cooperation in political, economic and cultural domains, and deeper consultation or coordination on regional and international issues.

In November 2000, Chinese President Jiang Zemin paid a state visit to the Lao PDR. It was the first visit to Laos by a president of China. During his visit, the two countries issued a Joint Statement confirming that comprehensive cooperation would be developed based upon long-term stability, neighborliness, friendship and mutual trust.

In November 2006, President Hu Jintao also paid a state visit to Laos. All the Lao Heads of State, such as Kayson Phonvihane, Nouhak Phoumsavanh, Khamtay Siphandone and Choummaly Sayasone, have visited Beijing.

As of February 2009, the two countries have important embassies in the respective capitals, and Laos also has its consulates in Kunming and Hong Kong in China.
Development of Bilateral Relations during March 2007 to February 2009

**Mutual visits of the political leaders**

A very frequent exchange of visits between the top political leaders of Lao PDR and China has taken place recently.

Lao President Choummaly Sayasone (No. 1 in the hierarchy of the Lao People’s Revolutionary Party) made a trip to Beijing to attend the opening ceremony of the Olympic Games in August 2008. On this occasion he had a meeting with his Chinese counterpart, Hu Jintao.¹

His attendance at the sports ceremony was not announced in advance. Originally a lower ranking figure was expected to be present at the event. We can suppose that the Lao leadership changed their mind at the last minute, probably on learning who else was attending from other countries (e.g. Japanese Prime Minister Yasuo Fukuda attended the ceremony) and then deciding that Laos would be represented by the highest authority of the nation.

Prime Minister Bouasone Bouphavanh (No. 7 in the party’s leadership) is also a frequent visitor to China. From August 22 to 28, 2007, he paid a seven-day official visit to China. This was his first official trip to China since he took office in June 2006. Prime Minister Bouasone met with Chinese Premier Wen Jiabao and talked about furthering bilateral relations on economic development, agriculture, infrastructure, energy, mining, food safety, airplane programs and Mekong River Sub-regional cooperation etc, which resulted in the signature of six cooperation agreements. Prime Minister Bouasone visited not only Beijing, but also Liaoning, Hunan and Yunnan provinces during his stay in China.²

Prime Minister Bouasone Bouphavanh repeated his visit to China two months later, this time to attend the 4th China-ASEAN expo that was held in Nanning, China, from October 28 to 31, 2007. It was reported that nearly 50 Lao companies would take part in the expo.³

In late October 2008 Prime Minister Bouasone Bouphavanh visited Chengdu, the capital of south-western Sichuan province in China, to attend the 9th Western China International Economy and Trade Fair. On this occasion he was welcomed by Chinese Vice Premier Li Keqiang.⁴

In Vientiane there is a shared view that the top figure closest to China inside the Lao leadership is Somsavat Lengsavad, Deputy Prime Minister and Standing Member of the Government (No. 10 in the party). It is an open secret that Somsavat, former Foreign Minister, has been promoting ties with China. From April 28 to May 3, 2007, he led the Lao delegation to China visiting Jiangsu province, which confirmed its support for the projects related to a new town establishment and a new National Stadium for the 25th Southeast Asian Games, which Laos would host at the end of 2009.⁵ This issue has caused controversy in Laos, which will be dealt with later in this report.

Just twenty days later Somsavat went to China again, this time to attend the 8th Western China International Economy and Trade Fair in Chengdu, Sichuan province. On this occasion he also took part in the China-ASEAN business forum. In Chengdu, he met with Zeng Peiyan, Deputy Prime Minister of China, to reaffirm their intention to further expand cooperation between their Parties and states.⁶

In the following month, Somsavat again visited China to participate in the International Trade Fair in Yunnan province.⁷
Finally, he attended the opening ceremony of the Beijing Olympic Games as a member of the presidential suite, and on this occasion, had a meeting with Chinese Vice-Premier Li Keqiang on August 9 2008.

While Somsavat Lengsavad appears to attach particular importance to ties with China, the other Deputy Prime Minister Thongloun Sisoulith, ranked eighth in the party, is regarded as a well-balanced and neutral Minister of Foreign Affairs. However, this view does not mean that he disregards relations with China. From February 14 – 16 2008, Dr Thongloun paid a visit to China and had a meeting with his counterpart, Yang Jiechi. It was reported that the two sides discussed regional and international issues of mutual interest, especially in the area of ASEAN-China and the Greater Mekong Sub-region. One of the most important results of this foreign ministers’ meeting must have been the Chinese commitment that Premier Wen Jiabao would attend the GMS summit, which Laos was scheduled to host in Vientiane at the end of March 2008. National prestige was at stake for Laos regarding this regional summit meeting, and it was very important to ensure the attendance of the Chinese top political leader.

Vice President Bounnhang Vorachit (No. 4 in the party) visited Nanning, Guangxi province of China, to take part in the 5th China-ASEAN Business and Investment Summit in October 2008. Prior to the Summit, he met with Chinese Vice Prime Minister Wang Gi Shan.

A number of high-ranking Chinese officials have visited the Lao PDR. In December 2007, Yang Jiechi, Chinese Minister for Foreign Affairs, paid a two-day official visit to Laos. He met with his counterpart, Dr Thongloun Sisoulith, and was received by President Choummaly Sayasone and Prime Minister Bouasone BoupHAVANH. It was reported that the achievements from past cooperation in economic matters, trade and investment were discussed at the meetings.

When Laos hosted the GMS summit in Vientiane at the end of March 2008, China kept their word that Premier Wen Jiabao would attend this sub-regional conference. In spite of the summit’s tight schedule, Laos honored the Chinese guest by classifying his stay prior to the summit opening ceremony as a bilateral official visit. The Government of Laos arranged an official welcoming ceremony at the National Assembly’s esplanade, where Premier Wen Jiabao inspected the guard of honor, attended a bilateral meeting with Prime Minister Bouasone BoupHAVANH, and paid a courtesy visit to President Choummaly Sayasone. Both Prime Ministers signed seven agreements, including plans for economic development, for which China provided grant assistance of 50 million yuan to Laos, a grant aid to renovate the Nateuty-Oudomxay national road, credit to purchase a Z9 plane, an optical fiber project and a coal-powered electricity plant in northern Xayaboury province.

In December 2008, a Chinese delegation led by Chen Zhili, Vice President of the Standing Committee of the National People’s Congress of China, visited Laos. She was welcomed by President Choummaly Sayasone.

Party-to-party and military relations
Between Laos and China, mutual visits of the two communist parties’ leaders should be added to the exchange of top governmental officials which were described above.

Conspicuous, _inter alia_, is the visit of Chinese party leaders to Laos. We can cite the following examples.

In May 2007, Liu Qi, a member of the Political Bureau of the Communist Party
of China (CPC), Central Committee, came to Laos and met with Sombath Yialiher, a member of the Secretariat of the Central Committee of the Lao People’s Revolutionary Party (LPRP). Sombath is ranked 13\textsuperscript{th} in the party hierarchy. It was tersely reported in the newspapers that both agreed to strengthen relations between the two parties and the two countries.\textsuperscript{14}

In September 2007, Yu Zheng Sheng, a Politburo member of the CPC, led a party delegation to visit Laos for three days. He was received by President Choummaly Sayasone, who is the Secretary General of the LPRP, and met with Deputy Prime Minister and Foreign Minister Thongloun Sisoulith, who is also a Politburo member and Head of the External Relations Committee of the LPRP Central Committee.\textsuperscript{15}

Yu Zheng Sheng’s visit was followed by one paid by Liu Yunshan, the Chief of the Propaganda Department and a member of the Political Bureau and of the Secretariat of the CPC Central Committee, who, during his stay in early November 2007 in Vientiane, called on such top leaders of the LPRP as Choummaly Sayasone, Bounnhang Vorachit and Dr Thongloun Sisoulith.\textsuperscript{16}

In May 2008, He Guoqiang, a member of the Standing Committee of the Political Bureau of the CPC and the secretary of the CPC Central Commission for Discipline Inspection, met with Asang Laoly, a member of the Political Bureau of the LPRP (ranked sixth), director of the Party’s Central Commission for Discipline Inspection, who is also Vice Prime Minister in the Government.\textsuperscript{17}

In November 2008, Zhang Gaoli, Politburo member of the Communist Party of China and Party Chief of Tianjin City, led a delegation to visit Vientiane. They were received by Deputy Prime Minister and Standing Member of the Government Somsavat Lengsavat for bilateral talks.\textsuperscript{18}

At the beginning of the following month, Jia Qinglin, Chairman of the 11\textsuperscript{th} National Committee of the Chinese People’s Political Consultative Council and a member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China, visited Laos in response to an invitation from the President of the Lao Front for National Construction. He was received by President Choummaly Sayasone.\textsuperscript{19} As a follow-up to this visit in mid-December, the Chinese People’s Political Consultative Council made a US$300,000 donation to the Lao Front for National Construction in the form of two vans, 57 sets of computers and office equipment.\textsuperscript{20}

In January 2009, Laos hosted the 17\textsuperscript{th} Asia Pacific Parliamentary Forum (APPF) in Vientiane. In addition to the Forum, a bilateral meeting was held between the two delegations. Thongsing Thammavong, President of the Lao National Assembly (No. 3 in the party order), met with Zhou Tienong, head of the Chinese delegation from the Chinese National People’s Congress, to discuss increasing cooperation between Laos and China.\textsuperscript{21}

In February 2009, the Chinese Ambassador to Laos handed over a package from the National People’s Congress of China to the Lao National Assembly. The package was worth over US$44,000 which included 24 computers and 10 digital cameras. The handover was implemented in the name of strengthening the Lao National Assembly’s capacity building.\textsuperscript{22}

From Laos, Dr Thongloun Sisoulith visited China as a member of the Political
Bureau of the LPRP, leading a party delegation in August 2007.\footnote{23}

As President of the Lao National Assembly, Thongsing Thammavong attended the International Tourism Exchange held in Yunnan province in China from October 30 to November 2, 2007.\footnote{24} More formally, he paid a visit to China from March 24 - 30 2008, leading a high-ranking delegation of the National Assembly. The press reported that, while in China, the delegation had a working session with Wu Bangguo, Chairman of the Standing Committee of the Chinese National People’s Congress, and paid a courtesy visit to Prime Minister Wen Jiabao.\footnote{25}

Military exchanges between the Lao PDR and China are making bilateral relations even stronger. Traditionally, the Lao People’s Army was supplied with weapons imported from the USSR. However, China is replacing Russia as a military supplier in this regard today.

Recent high-ranking military officials’ exchanged the following visits:
- Lao Deputy Prime Minister and Defense Minister Douangchay Phichit (ranked ninth in the party list) visited Beijing and met with Chinese Premier Wen Jiabao in March 2007.\footnote{26}
- In August 2007, the Vice-Chairman of China’s Central Military Commission, Xu Caihou, met in Beijing with Sengnouane Sayalat, chief of the General Political Department of Lao People’s Army (No. 42 in the party order). The press reported Xu’s statement that China is willing to maintain a high-level exchange of visits and strengthen cooperation with Laos in all fields, so as to push forward the development of ties between the two countries and two military forces. This was Sengnouane’s fifth visit to China.\footnote{27}
- From November 25 - 29 2007, a Chinese military delegation led by General Li Jinai visited Laos, and on November 26 President Choummaly Sayasone received a courtesy call from the Chinese delegation.\footnote{28}

**Economic ties**

But China’s most remarkable advance into Laos has been via its economic presence. The Government of China and Chinese private companies seem to have been working in tandem to promote their economic activities in and with Laos.

According to a special article by the *Vientiane Times* reviewing bilateral relations on the occasion of the visit of Prime Minister Wen Jiabao to Laos in March 2008, trade between the two countries in 1998 was just 247 million kip (approximately US$28 million), but this has increased sharply in recent years. In 2006, bilateral trade reached about 2.1 trillion kip (more than US$241 million), a 70 percent increase from 2005.

The article also stated that these figures include exports from Laos to China, which are more than 477 billion kip (over US$54 million), an increase of almost 95 percent since 2005; that goods exported from Laos include timber and wood products, crops, minerals and forestry products; that imports from China to Laos were worth over 1.6 trillion kip (approximately US$183 million) in 2006, a 63 percent increase from 2005; and that imported goods include clothing, industrial equipment, raw materials, construction materials and agricultural machinery.\footnote{29}

For many years, Thailand was the top investor in Laos. However, China has become a major investor in Laos, together with Thailand and Vietnam. Between 1990
and 2007, China undertook 284 investment projects in Laos, worth US$ 1.1 billion and covering 12 areas.\textsuperscript{30} According to research by Dr Motoyoshi Suzuki, China has been the No. 1 investor in Laos when considering the number of projects from 2002/2003 to 2006/2007, and also a leading nation as to the investment volume in 2000/2001, 2001/2002, 2002/2003 and 2006/07, when it ranked second from the standpoint of total accumulated investment values in the Lao PDR.\textsuperscript{31}

China is developing its economic activities in the Lao PDR in a number of fields. Energy and mining are primary. These two sectors are the main engines of the current economic development in Laos. We will now examine these two sectors in the period covered by this report.

With respect to the energy sector, in June 2007, Zeng Xingliang, Managing Director of Sinohydro Corporation Ltd, and Thongmy Phomvixay, Vice President of the Committee for Planning and Investment (CPI, later MPI: Ministry for Planning and Investment), signed a Memorandum of Understanding (MOU) on the Parklay Hydroelectric Power Project in northern Xayaboury province. Zeng said that the new development had the potential to be a large project with an installation capacity of about 1,320 MW.\textsuperscript{32}

In August 2007 the Hong Kong-based Da Tang International Power Generation Co. Ltd sent a top-level delegation to Laos. They were received by Prime Minister Bouasone Bouphavanh and also signed a MOU for a hydropower project in Bokeo province.\textsuperscript{33} This company concluded a MOU on a feasibility study for the installation of two large capacity hydropower plants in Oudomusay province\textsuperscript{34} in August and on the Mekong River, some 250 km north of Vientiane in December,\textsuperscript{35} respectively.

In October Sinohydro Corporation Ltd of China signed a development agreement with the Lao government for the Nam Ou Hydropower Project in Phongsaly and Luang Prabang provinces in the north of Laos. The Chinese representative said that the project will have an installation capacity of about 500 to 600 MW. It will sell 50 to 70 MW to Electricité du Laos and the rest is likely to be exported to Thailand or China.\textsuperscript{36}

In January 2008, the China National Electronics Import-Export Corporation signed a MOU with the Ministry for Planning and Investment on the Nam Ngum downstream hydropower project in Vientiane Capital. The company was to conduct a survey and feasibility study over 18 months.\textsuperscript{37}

In April 2008, the construction of the Nam Ngum 5 hydropower project in northern Laos officially began. The Nam Ngum 5 hydropower station will be built in a mountainous area of Luang Prabang and Xieng Khuang provinces. It will have an installed capacity of 120MW for domestic consumption. The project is a joint venture between Sinohydro Corporation of China and Electricité du Laos with a concession of 25 years.\textsuperscript{38}

At the end of December 2008, the Government of Laos and China International Water and Electric Corporation (CWE) signed a MOU on a feasibility and environmental/social impact study for the construction of the second Nam Ngiep hydropower project in Xineg Khuang province. According to the Chinese representative, if the results of the study show the project would be economically viable, construction can begin by mid-2010.\textsuperscript{39}

At the beginning of 2009, there was a further report of another hydropower project...
project involving a Chinese investor, this time in Borikhamxay province. A&C Industry Ltd completed a feasible study on the Nam Mang 1 hydropower project and was to present it to the Lao government. The company explained that it would take two and a half years and have an installed generation capacity of about 60 MW.40

As for the mining sector, it was reported that as of February 2008, a Lao-Chinese company was conducting a survey for bauxite in Pakxong district in the Bolaven Plateau in southern Champassak province. According to a local official, if the government approves the project, a bauxite production plant will be built by 2010, and will be the first such plant in Laos.41

In neighboring Attapeu province, the Sino-Lao Aluminum Corporation Ltd signed a mining agreement for bauxite mines and processing plants with the MPI in September 2008. The project is a joint venture between four companies: a Chinese company as the majority shareholder, a Thai company, a second Chinese company and Lao Service Incorporation Ltd. The plants will take three years to complete and will have an initial aluminum production capacity of 500,000 tons a year.42

In the northern Bokeo province, a joint Lao-Chinese venture will begin reviewing the sapphire mining industry, after having received the approval from the Lao government in September 2007. Lao State International Trade and Service Enterprise, a state-owned company, signed an investment cooperation agreement with the Hong Kong-based Sino-Resource Mining Corporation Ltd in 2006 to look into resurrecting the sapphire mining industry, which has been stalled since 2000.43

In November 2008, the Lao government and Tianjin Trade Company of China signed a MOU on goldmining in Luang Prabang province on the occasion of the visit by Zhang Gaoli, Politburo member of the Communist Party of China and Party Chief of Tianjin City, to Laos.44

According to Dr Motoyoshi Suzuki, the first successful cement factory was the Vangvieng Cement Factory No. 1, built in 1994.45 In early December 2008, the State Enterprise for Agriculture and Industry Development Export and Import of Laos and the Chinese Yuanjiang Yongfa Cement Co. Ltd signed an investment agreement on a bilateral joint venture. It was expected to invest 657 billion kip (US$77 million) to expand the Vangvieng Cement Factory No. 1 in Vientiane province, from 80,000 tons to 750,000 tons per year.46 In another cement factory project, the Lao government gave the green light to a Chinese company to build a cement plant with the capacity to produce 200,000 tons per year in Oudomsay province.47

Agriculture is also an important sector when we look at the strengthening ties between Laos and China. Rubber and cassava plantations in the northern provinces are very conspicuous.

In April 2007, a Chinese company, Yunnan Power, won a concession for the investment of approximately US$3 million in cassava plantations in the northern Oudomsay province. The Chinese investor will provide cassava cuts, technical expertise, organic fertilizers, pesticides and cassava slicers to farmers involved in the investment project, and buy cassava from them at a fixed price.48 China seems to grow cassava for biodiesel. In September 2008, Dynasty Co. Ltd of Laos and ZTE Cooperation Co. Ltd of China signed an agreement for a joint venture with a view to grow and process cassava to make biodiesel in such southern provinces as
Also, in December 2008, Lao-Indochina Tapioca Factory Co. Ltd signed a five-year agreement in Vientiane for the sale of cassava powder to Yichun Global Trading Co. Ltd for use in the production of ethanol. The Chinese company is considering building a factory, the first of this kind in Laos, some 47 km outside Vientiane to produce 100 tons of powder each day, and employing 110 people.50

On June 29 2007, the Vientiane Times reported that investment in rubber plantations was booming in Luang Namtha province, with most owned by Chinese investors. It also said that authorities approved three rubber plantation projects over 5,000 hectares in the same month, with an investment value of US$900,000. At US$13.19 million in value, investment has almost tripled, compared to the previous six months, when they were worth US$4.5 million. One estimate shows that the province will have 15,000 hectares ready for harvesting, with projected earnings of 450 billion kip from exports of rubber to China.51

In January 2008, while the Zhien Da Ly Company of China was planning to extend its rubber plantations to more than 3,000 hectares in Oudomxay province, another Chinese company, Xi Xu Yong I, made a direct investment of almost 30 billion kip (US$2.9 million) in planting rubber trees along Ou River in Phongsaly province.53

In November 2008, the Lao-Chinese Tong Yang Xichuan Company signed an agreement with Oudomsay province’s authorities to invest around US$3 million in a rubber plantation on 2,000 hectares in the province. The company was to build a sapling center and grow about 500 hectares each year.54

In the same month, a MOU was signed to hand over 1.2 million rubber saplings, worth US$600,000, by Chongjing Hongjing Lao Mining Company to the Lao Ministry of Agriculture and Forestry when Zhang Gaoli, Politburo member of the Communist Party of China and Party chief of Tianjin City, visited Vientiane.55

However, a statement was made by Chinese business that could pour cold water on rubber plantation zeal. On January 8 2009, the Vientiane Times quoted the words of Qing Ji Kang, Vice President of the Association for businesses from China’s Yunnan province. He said that Chinese entrepreneurs wanted to stop planting rubber in Laos because of falling rubber prices around the world, and that Chinese businesses wished to move away from rubber plantations into more profitable businesses, such as fruit tree plantations and rice production for supply to both domestic and export markets.56

Other agro-products that both countries are dealing with are maize, tea, lacquer etc.

With regard to infrastructure development, a Chinese plan to develop a new town in the That Luang marsh has been receiving public attention. In the Vientiane Times on March 21 2008, Vientiane Mayor Dr Sinlavong Khoutphaythoune (currently Minister for Planning and Investment) explained this project by saying that Laos needed to construct a sports complex and stadium in order to host the 25th South East Asia (SEA) Games in December 2009, and as the government did not have sufficient funds for this, three Chinese companies were building this complex, and the Lao government had given them permission to develop the marsh in return. The companies had been given a 50-year concession, which could be extended by another 25 years.57 Rumors were going around Vientiane City that around 50,000 Chinese people would come to Laos for this project and would settle there. According to the Vientiane Times of August 1 2008, the Vientiane Vice Mayor said that the government
initially planned to develop an area of 1,640 hectares, but would reduce this area to 200 hectares at the site. However, the local newspaper on August 26 reported that the same Vice Mayor stated that the 640 hectares of the That Luang marsh would be developed. Nothing is certain, but some suspected that this change of mind was the result of a rollback from China.

In the area of transport-related infrastructure, the Chinese government is helping the Lao government to upgrade the airport of Luang Prabang with low-rate loans. The agreement, worth around US$57 million and signed on October 12 2007 between representatives from a Chinese company and the Lao Ministry of Transport, Post and Construction, is aiming to restore the main facilities and expand the runway, as well as other auxiliary facilities. Once completed, the airport will be capable of accommodating large passenger carriers like Airbus and Boeing.

As for road construction, the Chinese government agreed to extend by 6 km the road No. 13 South in Champassak province of Laos to the road No. 7 of Cambodia, according to the *KPL News* of July 26 2007. The total cost will be US$2.5 million, which will be supported by China with its grant aid. Thus Laos and Cambodia will be linked thanks to this road construction.

China also is funding the resurfacing of the damaged Road No. 13 North, which links Vientiane and the northern provinces. A handover ceremony of more than 344 billion kip was held in January 2009, and was attended by Vice Prime Minister and Standing Member of the Government Somsavat Lengsavat, Minister of Public Works and Transport, Sommath Pholsena, and the Chinese Ambassador Pan Guangxue. The project will cover a 78 km stretch with asphalt pavement and will repair five bridges.

With regard to the railways, the Lao government in April 2008 conducted a feasibility study of a rail link from Vientiane to Thakhek, and onto Muya in Vietnam to connect to the Vietnam Railway Network. The study was funded by the Chinese government with the participation of a group of twelve Chinese technical staff. Tourism is one of Laos’ most promising sectors. The fact that *The New York Times* named Laos as number one on its hot travel destinations list of “Places to Go in 2008” had much resonance among Laotians, satisfying their national pride. China has been investing a great deal of their capital in tourism in the northern provinces of Laos.

Boten, a border town in the northern Lunagnamtha province, is a place where China is making itself felt strongly. Golden Boten Hotel has enjoyed a high occupancy rate since it opened at the end of December 2006. The hotel complex, developed by Chinese investors, is located on the Road 3 highway, which runs from Kunming, China through Luangnamtha and Bokeo provinces to Bangkok, Thailand. It has a casino, drawing foreign tourists mainly from China. The Lao government gave the Chinese investment company a 30-year concession agreement to develop the property.

In August 2008, the Lao government granted a land concession of 827 hectares to the Dokngiewkham Company in the triangle area between Laos, Myanmar and Thailand in the Bokeo province, for their investment plans worth US$68 million to develop tourism in the zone. The Chinese company is also building a casino on Donxao Island hotel and other tourist facilities.

As a forum to overlook such a wide range of economic exchanges, the two governments have held the Lao-Chinese Commission for Economic, Trade
and Technical Cooperation since June 1997. On July 3 2007, they commemorated the 10th anniversary of this Commission. The head of the Lao contingent was Deputy Prime Minister and Standing Member of Government Somsavat Lengsavad, while China was represented by Ambassador Pan Guang Xue.

At a meeting held at the National Culture Hall, one of the most outstanding donations from China in the center of Vientiane, Somsavat Lengsavad said that the establishment of the commission 10 years ago represented a milestone in Lao-Chinese relations in the new era; that the main purpose of the commission was to assess the potential for economic, trade and technical cooperation; and that another role of the commission was to examine the implementation of various projects which had been agreed on by the Lao and Chinese governments.

Also at the meeting, the following figures were made known to the public:

- Over the previous 10 years, China had provided about 2.3 billion yuan in financial assistance to Laos to implement 60 projects, as well as US$291 million in loans for nine projects.
- The bilateral trade volume had reached US$220 million in 2006, compared to only US$34 million in 1999.
- Chinese investment in Laos has been increasing rapidly; by 2006, investment had reached around US$498 million, 158 times the amount in 1996.
- China had provided 230 scholarships for Lao students while Laos had provided 20 scholarships for Chinese students.
- China had organized training for Lao officials.
- China had provided funds for the construction of a sports complex for the 2009 SEA Games.65

Other Aspects of Laos–China Relations

Laos and China have developed their relationship in a number of other areas:

Drugs
The Chinese Government granted US$500,000 worth of aid to the Lao Government to build a rehabilitation and treatment center to care for drug addicts in Oudomxay and its nearby provinces, and its handing-over ceremony was held in July 2007 between the Chinese Ambassador to Laos Pan Quang Xue and the Minister to Presidential Palace and Chairman of National Committee for Drug Control and Supervision Suban Salithilath (No. 33 in the party). On this occasion, the Chinese Ambassador also donated US$100,000 for road construction, installation of the electricity system to the center, and other activities.66

Prosecution
Both countries are enhancing cooperation in public prosecution also. Over recent decades, the public prosecutors of the northern provinces, such as Oudomsay, Phongsaly and Luang Namtha, received assistance from their counterpart in Yunnan province of China through a training course on prosecution affairs held in Kunming, the capital of Yunnan province. In December 2007, a meeting was held in Oudomsay province of Laos between these prosecutors, who signed an MOU on further cooperation at the end of their gathering.67
In April 2008, a Chinese delegation led by Gua Yong Yon, General Prosecutor of Quangsi province, paid a three-day working visit to Laos as a guest of the People's General Prosecutor Office of Vientiane Capital. They were received by the Vice President of Lao National Assembly, Saysomphone Phomvihane.\(^68\)

**Trade unions**

Bilateral exchanges also take place between the respective trade unions. In May 2007, the Lao Trade Union’s delegation, led by its President, Vongphet Saikeryachongtoua (ranked fifteenth in the party hierarchy), visited China. Its Chinese counterpart, the All-China Federation of Trade Unions, agreed to provide 30 places to Lao staff members for trade union training in China in 2007, and a further 15 places each year thereafter.\(^69\)

In December 2008, a delegation of the All-China Federation of Trade Unions led by Vice President Yu Hong Xie visited Laos as guest of the Lao Federation of Trade Unions. They were received by Vice President Bounhang Vorachit.\(^70\)

Such exchanges of this kind are taking place at the local level as well. For example, in December 2007, the trade unions of Luang Prabang province of Laos and Yunnan province of China agreed to further cooperation, according to a public statement issued during the visit to Luang Prabang province by a Yunnan trade unions delegation.\(^71\)

**Academic and cultural field**

China seems to exercise its influence over the Lao media by way of various cooperation projects. In broadcasting, it can be mentioned that in December 2007 the Deputy President of Sinohydro Corporation presented a check for US$100,000 to the Governor of Phongsaly province, with Prime Minister Bouasone Bouphavanh and the Chinese Ambassador to Laos, Pan Guangxue, present as witnesses at the Prime Minister’s office. This money was to be used to improve television and radio reception in Phongsaly province.\(^72\) This was followed in March 2008 by the groundbreaking ceremony of a new studio of the Lao National Television Station Channel 3, to which China would contribute more than US$10.5 million to Laos.\(^73\) Also in March, the Government of Laos allowed the Chinese Electronic Yangyintu Ltd to operate the cable TV and Internet services in Laos for a 20-year period.\(^74\) Moreover, China Radio International (CRI) and China Central Television (CCTV) set up their own relay stations in Vientiane and CRI to air programs in Lao, in Chinese and English, from 10AM to 10PM, according to Dr Bosengkham Vongdara, President of the Lao Journalists’ Association, who headed a delegation of this Association to visit China in September 2008.\(^75\)

In February 2009, Laos’ Deputy Minister of Information and Culture of Laos signed an agreement with a Hong Kong firm, APT Satellite Company, for continued use of services provided by the APSTAR-V satellite, which provides the signal for radio and television broadcasting in Laos. This was an extension of the existing lease agreement of the satellite for another two years, from 2009 to 2011.\(^76\)

In respect to newspapers, in December 2007, the *People’s Daily Newspaper* delegation came from China to Vientiane and allowed the Lao News Agency (KPL) to utilize the news information presented on its website.\(^77\) As a result of this, KPL was able to carry international news from the *People’s Daily Newspaper* for free, whilst increasing Chinese-reported news in the Vientiane local papers.
As far as academic exchange is concerned, *Vientiane Times* carried an advertisement on July 24 and August 1 2008, that Soochow University would be set up in Vientiane. It will be a comprehensive university of 10,000 students on 100 hectares of campus land area. Soochow University granted scholarships to thirty bachelor and master’s degree students and held a farewell party for them in early September 2008. The Chinese government gave its own scholarships for 90 Lao students to leave Vientiane for China in September 2008. Twenty-four students were awarded master’s courses and 76 were awarded bachelor’s degrees.

Disaster relief and anti-infectious disease measures

Laos and China are also deepening their cooperation in the areas of disaster relief and anti-infectious diseases.

On May 16 2007, the Lao people were shaken by an earthquake with magnitude 6, mainly in the northern provinces. Prior to this quake, it was reported that Laos and Chinese officials were preparing to build the first two earthquake monitoring centers in Laos, in Luang Prabang and Borikhamxay provinces.

China was severely hit by an earthquake in and around Sichuan province in May 2008. The Government of Laos presented US$500,000 of aid relief to China to help the victims in July. This aid relief was offered not in cash but in kind, that is, 1000 cubic meters of timber. Dr Thongloun Sisoulith, the Lao Deputy Prime Minister and Minister of Foreign Affairs, and Jin Quang Yong, Governor of Yunnan province of China, attended the ceremony held in Khunming in July 2008.

In August 2008, Mekong River flooding caused serious damage along the river areas from the north to the south of Laos. In response, the Chinese government donated approximately US$100,000 to the Lao government to help the people affected by the disaster.

In February 2009, a Chinese private firm, Xinghua Kaiyuan Group Company, joined in support by handing over 420,000 yuan worth of fertilizer to the Government of Laos for the sake of flood victims and farmers in Phongsaly, Luang Namath, Bokeo, Oudomsay, Khammouane and Savannakhet provinces.

As for anti-infectious disease measures, when cholera broke out in the southern province of Sekong in January 2008, Sichuan Investment and Development Ltd. of China donated a number of medicines, along with medical equipment and cash, to the Lao Prime Minister’s Office to help victims who were suffering from diarrhea.

It is a matter of concern for Laos that the migration of Chinese people from Yunnan province to the northern provinces has been bringing about the potential risk of HIV/AIDS infection to local people. Responding to this anxiety, Luang Namtha province’s Public Health Division of Laos and the Committee for Communicable Diseases Prevention of Kunming jointly held a symposium to enhance public awareness in Luang Namtha in July 2008.

Actions at local level

Delegations from Chinese provinces visit Laos frequently. For example, in July 2007 a delegation from Jiangsu province paid a courtesy visit to Prime Minister Bouasone Bouphavanh. In December the same year, a Chinese delegation led
by the Mayor of Kunming visited Laos on a four-day working visit, and during their stay in Vientiane, they were received by Deputy Prime Minister and Standing Member of Government Somsavat Lengsavand, and the Secretary Party of Vientiane Capital Sombath Yealyheu.  

In November 2008, Prime Minister Bouasone Bouphavanh received a courtesy visit from Yunnan province’s delegation led by Jinna, head of the Commerce Service of the province. On this occasion, the Chinese delegation presented US$200,000 to Khamsane Souvong, Governor of Phongsaly, for development work in the province.  

Laos’ provincial governments also accept Chinese investments. In July 2007, the authorities of Namor district, Oudomsay province, signed a MOU with the Chinese Economic Tree Plantation Company to promote the eucalyptus plantation. The company will invest US$900,000 and encourage the local people in 13 villages of Namor district to plant eucalyptus on 5,000 hectares during the 15-year concession.  

In August 2007, the Savannakhet Committee gave permission for the Chinese-owned Mittaphab Company Ltd to invest US$5 million in building a market and hotel some 30 km from the capital city of Savannakhet province.  

In January 2008, Luang Prabang authorities allowed Yunna Copper Mining, a Chinese state-owned company, to construct a major luxury hotel in Nadeu village, some 5 km from the centre of the world heritage town.  

In October 2008, Luangnamtha authorities signed an agreement allowing Nan Tian Her Lao Agriculture Promotion Company to build a demonstration noni (a kind of herb) plantation in the province. The Chinese investor was expected to invest around 5 billion kip (US$ 600,000).  

In December 2008, China’s Yunnan provincial Chamber of Commerce opened a branch in Vientiane to protect Chinese businesses operating in Laos and facilitate trade and investment between Laos and China. According to Laos, about 80 percent of Chinese businesses operating in Laos are from Yunnan province.  

As further proof of Yunnan province’s importance, in January 2009, the MPI of Laos and the Committee on Development and Reform of the province held a handover ceremony for a master plan to develop nine northern provinces: Bokeo, Huaphanh, Luang Namtha, Luang Prabang, Oudomsay, Phongsaly, Sayaboury, Xiengkhuang and Vientiane province. The plan laid out the development of infrastructure, industry and handicraft, and placed an emphasis on the cooperation between the Laotian northern provinces and Yunnan provinces in the areas of trade, investment, agriculture and forestry.  

Conclusion  

China has been steadily diversifying and deepening its relationship with Laos. In doing so, China often chooses projects in and outside Vientiane that will draw attention to its involvement. Examples are China’s construction of the sports stadium for Laos, the host nation of the 2009 SEA Games; the National Culture Hall, situated in the center of Vientiane; and the park area around the Arc of Triumph, which was improved prior to the influx of foreign visitors when the Lao government hosted the ASEAN plus 3 (Japan, China and Korea) Summit Meeting in 2004.  

How does the Government of the Lao PDR respond to such Chinese approaches and
what is the reaction of the Lao people?

On the diplomatic front, it appears that the government of Laos intends not to depend too much on China, but to strike a diplomatic balance by strengthening ties with other powers and partners in the region. Laos is a very active member of ASEAN, and during the period this report covers, Laos was a coordinating nation with Japan for ASEAN. They worked so well together that communications between ASEAN and Japan ran smoothly. At the same time, Laos successfully brought about the visit of President Chounmmaly Sayasone to Japan (June 2008), the visit of Prime Minister Bouasone Bouphavanh to Japan (May 2007), the Prime Minister's visit to Korea (June 2008) and the President's visit to India (September 2008). In addition, there have been signs of rapprochement between Laos and the United States, as is shown, for example, by the opening of their first military attaché offices in Vientiane and Washington D.C. respectively.

Domestically, while the government of the Lao P.D.R. formally welcomes Chinese cooperation, the reaction of ordinary Lao people is not as clear. In 2008 a rumor spread that some 50,000 Chinese families would immigrate and settle on the outskirts of Vientiane, once China was allowed to develop the That Luang marsh and build a new town in return for a sports stadium for the 2009 SEA Games in Laos. A key to the Lao people’s feelings towards China was that Deputy Prime Minister and Standing Member of the Government, Somsavat Lengsavad, felt the need, on February 11 2008, to specifically mention the matter at a press conference, saying that a false rumor was being circulated by persons who held feelings of malice towards national development, to the effect that the Lao government had conceded the land to the Chinese government for building a Chinese town. He stressed that the Lao government had never sold the land to the Chinese government and that there was no contract for 50,000 Chinese families to immigrate to Laos after the development was completed. *(The details of this press conference were not reported in the English papers.)*

In conclusion the Government of the Lao P.D.R. will continue to carefully handle their relations with China by striving for a power balance in their foreign policy, whilst domestically addressing with caution the complicated feelings that Lao people have about the increasing presence of China in Laos.

**Endnotes**


92. *Vientiane Times*, 05/01/2008. “Yunnan to Build Five-Star Hotel in Luang Prabang.”


