The London School of Economics and Political Science

Losing Ground: The Political Economy of Dependency and Development in the Lao People's Democratic Republic

A thesis submitted to the Department of Government of the London School of Economics and Political Science for the degree of Doctor of Philosophy

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Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others.

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'Pon' Phornchanok Souvannaseng

London, April 2019

Abstract

This thesis offers a detailed study of the disadvantages of post-Cold War late development at the confluence of shifting regimes of development finance. As Lao PDR emerged from relative isolation at the end of the Cold War, it was quickly integrated into a Bretton Woods-led regional and global development regime that was itself undergoing a shift from aid to private-sector led development. This thesis contends that liberalizing reforms initiated by the Asian Development Bank and driven further under the aegis of the World Bank in its bid to re-enter the global hydro-lending landscape through its landmark NT2 project in Laos led to the introduction of tools of modern finance into contemporary Lao infrastructure building. Seemingly small and innocuous institutional innovations brought to Laos and installed by OECD-DAC agencies, some for the purposes of environmental conservation, led to perverse outcomes and momentously facilitated a watershed of financialized regional infrastructure investment by state-coordinated business groups from neighbouring Thailand, Malaysia and China in the aftermath of the Asian (1997) and Global (2008) financial crises. The installation of financial instruments and practices by Bretton Woods institutions intending to further the public-private-partnership (PPP) paradigm and business interests of corporations established in OECD states has instead paved the way for the expansion and deepening of financial markets in the name of development led by emerging Asian business actors eager to transition from ‘national champions’ to international powerhouses. This historical account demonstrates both continuity and change as the neo-mercantilist aspirations of East and Southeast Asia’s emerging economies beneficially utilize the liberalizing environment spearheaded by Bretton Woods institutions to further their own interests while creating parallel governance institutions and divergent lending and environmental practices to the Development Assistance Committee. Based on over fifteen months of in-country research and interviews, this thesis sheds light on the ways in which state elites internalize ideologies of development in pursuit of autonomous economic development while reinforcing conditions of dependency through external economic reliance. Building on insights gleaned from early dependency scholars, this thesis provides a critical contribution by adapting their observations concerning constraints to development for a post-Bretton Woods development landscape which has shifted from MNC-led industrial investment to finance-driven portfolio investment. In doing so, this thesis upends the traditional ‘centre-periphery’ framing of asymmetric exploitation by introducing the notion of ‘proximate dependency’ to capture the pernicious dynamics of exploitation between (post-WWII) late developers and their even later (post-Cold War) brethren, cutting against popular discourses of south-south development.

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List of Acronyms

ADB – Asian Development Bank

AFC – Asian Financial Crisis

ASEAN – Association for Southeast Asian Nations

BOT – Build-Operate-Transfer model

DAC – Development Assistance Committee

GMS – Greater Mekong Sub-region

GOL – Government of Laos

ICP – Indochinese Communist Party

IPP – Independent Power Producer

TFAP – Tropical Forest Action Plan

LFA(P) - Land Forest Allocation (Policy)

LPRP - Lao People's Revolutionary Party

MDB – Multilateral development bank

NTD – Non traditional donor

NLXT – Neo Lao Hak Xat

OBOR – 'One Belt One Road'

OECD – Organization for Economic Cooperation and Development

PFI – Public finance initiative

PL – Pathet Lao

PPP – Public-private partnership

RLG – Royal Lao Government

VWP – Vietnam Worker's Party

Terms:

Baan – village / house

Din - land

Loum – lowland

Luang - king

Mekong – Mother of Water

Meaung – kingdom or province

Naam – water (as a prefix, it means ‘river’)

Paa – jungle / forest

Pasason – people / public

Pathet – state

Tasseng – canton

Teung – up (land)

Xat – nation (patriotic)

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Introduction

'Bringing Dependency Back In'

For most of the past one hundred and fifty years, Laos, formerly part of colonial French Indochina, notorious bomb site of America's clandestine Vietnam war operations, and Communist one-party regime since 1975 has registered as a 'least developed' part of the world. Things have changed rapidly for the People's Democratic Republic of Laos (LPDR) over the course of the twenty-first century and particularly in the last decade as Laos has experienced an accelerated and unprecedented building boom in the infrastructure and energy sectors. A landlocked, semi-subsistent agrarian nation of under seven million, Laos controls prime territory which encompasses one third of the grand Mekong river basin. Its strategic geography has made hydro-energy and dam building central to the Government of Laos' (GoL) vision of development.

Contemporary Lao elites subscribe to a national doctrine focused on attaining rapid economic development which they believe will be achieved via hydro-energy projects which are expected to bring in foreign investment, export revenue from electricity generation, and international engagement and legitimacy. Lao elites share in a high modernist ambition not unlike earlier generations of post-colonial elites who came before them.[1] India's first Prime Minister Jawaharlal Nehru referred to dams as 'temples of modern India,' while Egypt's Gamal Abdel Nasser Hussein saw the building of the Aswan dam as representing the state's ability to tame the Nile and create a hydraulic society. For late developing state elites of both post-WWII and post-Cold War generations, dams symbolize their Enlightenment-era faith in scientific progress, developmental possibility and revolutionary transformation on a grand scale.

Over the course of the twenty-first century, Laos has remarkably been able to commission dozens of 'temples of modernity' at a rapid and disorienting pace for a country marked as one of the poorest globally. Dams are incredibly capital intensive in nature and impressive as sheer material artefacts of highly technical and complex civil, hydrological and geological engineering. Between 1990 to 2008, Laos completed the building of four large scale dam projects, including the World Bank's grand showcase dam, Nam Theun 2, which marked the Bank's return to the global hydro-lending landscape after scathing international protest and a ten-year moratorium on lending. Since then, the government of Laos has gone on to ambitiously develop dozens more projects and expects to have over 140 dams in operation by 2040. Lao officials aim to have 100 dams completed by 2020 and by 2018 have succeed in nearly half that number. The scale and pace of hydro-infrastructure development in Laos is historically unprecedented for any nation in the modern era, let alone a poor and highly indebted low-income country.

[1] On high modernism, see: (Scott 1998; Harvey 1989)

That Laos, a self-identified ‘least developed country’ (LDC) and a listed low income category country by OECD Development Assistance Committee (DAC) aid standards could embark on so many megaprojects of such scale, magnitude, and breadth at a clip speaks to the changing nature of international financing which has enabled this cascade of building.   Hydropower projects in Laos are no longer just ‘temples of modernity’, but portals for regional and global private investment. While the post-colonial likes of Nehru and Nasser where inherently suspicious of the politics of the international lending system of their time- having just gained independence- Laos elites in the new millennium, by contrast, have less qualms about accessing what I term large scale *fast financing* from a wide array of regional and international private and state-backed institutional investors to raise money for infrastructure and hydropower projects (HPPs). In over fifteen months of ethnographic research engagement, I came to understand that Lao government officials saw their key role in working towards national development goals as that of acting as private sector facilitators to attain, harness and develop capital into infrastructure; they saw it as their civic duty.

On my first visit to Laos in 2012, I witnessed a country cautiously hosting its first ever international conference, the 9th Asia-Europe Summit. In fourteen months of in-country research the year following, I listened as various informants across the domestic public and private sector, urban elites and rural villagers expressed private wariness about the increased on-the-ground presence of Thai, Vietnamese and Chinese investors, petty traders, and labourers accompanying increasing regional foreign investment projects in Laos. ‘Will there be any Lao (people) left?’ one villager wryly remarked (VC2, 2013). By 2016 however, on a return visit I noticed there was a widespread about-face as each informant I caught up with shared news which gravitated towards China. For some this meant job promotions which involved frequent trips to Kunming (D1; 2016); for others, training exercises with Chinese counterparts (O22; 2016), study opportunities (O1; 2016), or the prospect of working with indirect Chinese investors (D4; 2016).

It was clear that regional investment spelled concrete and tangible opportunities for those in state positions or domestic private sector companies which interfaced with regional and international capital. Officials I interviewed worked quickly and feverishly to seize the moment of Thai and Chinese attention and investment while it lasted. The fervour with which energy and infrastructure officials worked to get projects off the ground had a zealous pitch. When I asked why officials did not pursue projects more selectively and negotiate for subsidies for transmission line construction to build and strengthen their national grid, a high-level official shouted with outrage, "it is not fair to keep people poor!" (O18, 2016). The exchange was telling as it revealed a worldview which prioritized speed, pragmatic diplomacy and accommodating investor relations over the maximization of national gains and careful assessment of risks. Expediency and private sector facilitation rather than hard bargaining and due diligence formed the zeitgeist of ministerial offices in Laos' leading sectors. This worldview permeated interviews I conducted with state elites across eight different ministries.

My immersive participant observation, and extensive semi-structured and structured conversations with Lao officials yielded a similar pattern, they shared a common 'catch-up' perspective which saw foreign finance for infrastructure projects as prototypically developmental and framed these projects as good for Laos. The large amount and pace of debt accumulated to a small set of concentrated foreign actors was less of a concern than a means to a developmental end (O19, 2016). Lao officials worked long hours; they were constantly driving from site to site for meetings, training sessions, Party-related events, preparing for public ceremonies while not always compensated or paid on time. Across the board however, rather than cynicism or dissatisfaction with the obligations placed on them by the extra-occupational commitments of the Party, officials shared a deep civic sense of purpose, dedication, commitment and loyalty to a common cause – the goal of 'developing' their country and climbing out from the perception of their nation as poor. This has often translated into a fixation with leaving 'least developed country' (LDC) status. Amidst the hustle and bustle of state work the common thread amongst officials of different ranks, departments and ministries was a sense that the nation was *gaining* ground as evidenced in new roads, agricultural investment, numerous dams and enhanced international recognition and engagement.

By all official accounts, Laos, once war-ravaged and closed off was becoming an exemplar of the neoclassical open global and regional integration model championed by the Asian Development Bank's Greater Mekong Sub-Region (GMS) regional connectivity project and the ASEAN Charter's vision of market-led economic integration. Laos was incorporated into global and regional trade and finance circuits at whiplash speed. It followed its static comparative advantage. It liberalized trade and financial sectors swiftly (or at least, its external consultants wrote new laws which did so). GDP growth moved only slightly from a high of 8.5% in 2010 to 8% in 2013 (World Bank). The country's poverty headcount dropped from 39% of the population in 1997 to 23% by 2012, and per capita income rose from a low of $400 in 1988 to a high of $1730 in 2017 (World Bank 2017).

And yet, the developmental outcomes of this foreign financed building boom have not materialized for many Laotians, nor have they translated into enhanced employment generation, structural transformation of the economy or sound fiscal footing for its coffers. Scratch below the surface of this energy and infrastructure-led development model and inequality between rural and urban dwellers is on the rise in favour of the latter (World Bank 2017). The manufacturing sector's percentage share of GDP over the last twenty-five years has fallen, peaking at a high of 15.6% in 1997 and declining ever since (World Bank, 2017), a sign of what Dani Rodrik has termed premature deindustrialization (Rodrik 2016). Despite leasing at least 12-15% or more of its land to foreign investors through concessions (Schoenweger and Ullenberg 2009), revenues have not gone into Laos' spending on social programs, which remains low while child malnutrition remains high. Its economy has difficulty diversifying and remains concentrated in primary export. An emancipatory form of development of the kind advocated by Amartya Sen has not come at the local nor national level (Sen 2001).

A puzzle thus arises in the Lao case: how can we understand the lack of pro-poor, emancipatory development outcomes in Laos despite over a quarter of a century of western multilateral development engagement and more recent widened access to a plethora of Asian alternative financing sources?

Social and environmental outcomes for many rural communities and public finances for the nation have been adverse and dismal. In the same year that Laos made its entry on to the global bond scene and ascended to the WTO in 2013, a public-sector official confided to me, 'I haven't been paid for the last three months, since April...meanwhile, the parking lot of the Tax Department looks like a new car dealership,' (D1, 2013). Missing salaries and financial hardship was a common sentiment amongst state workers across several ministries I met that year. While Laos seemed to be making huge strides on the international and regional level, 2013-2014 coincided with a year of civil service reform marked by a politics of austerity and an unpublicized balance of payments crisis in a country that had posted high growth rates for over a decade. By September that year the country's exchange reserves could barely cover just 80% of one month's imports, inflation was at 7.5% and the current account deficit was close to a third of GDP for that year (IMF and IDA 2013). Government payments to contractors were suspended as the government feared a debt crisis and the state audit committee raised the issue of 'ghost projects' – numerous off-budget capital expenditures and projects contracted by the state and paid for that never manifested themselves which haunted public finances.

When construction on the $6 billion high-speed railway in Laos which will connect China with Thai markets and run all the way down to Singapore began at the end of 2016, the 100,000 construction and engineering jobs linked to the linchpin 'Belt and Road' gateway project went exclusively to the China Railway Group with no local content transfer or employment generated for Laotians. The cost of the project is twice Laos' annual GDP; it borrowed 65% of the $730 million it needed to cover its 40% share of the project through bilateral Chinese loans.

Popular resentments have simmered with the large-scale land acquisition and changes which have accompanied Laos' open investment policy. Land conflicts became so pervasive and inflamed that in 2012, as states elites believed they were gaining international respectability through several high-profile diplomatic visits and events, the hotline for the public to call the 132-member parliament was overridden with complaints about land disputes, prompting the number to go silent. Call-in listeners on national radio programs bubbled over with rage over land disputes, causing the government to shut down two popular radio programmes. When I first arrived in Laos, some local officials and academics discretely urged me, as a foreign researcher, to investigate land issues as it was a hot-button issue they felt constrained in investigating as local citizens. That same year, hostility from downstream neighbours Vietnam and Cambodia and environmental campaigners from Thailand in the inter-governmental Mekong River Commission process succeeded in a temporary suspension of the controversial Xayaburi dam on the mainstream Mekong river way, but the Government of Laos allowed the project developer to resume building shortly thereafter. By 2016 at least three violent incidents targeting Chinese citizens erupted, including a direct attack on a Chinese logging firm, a bomb attack injuring a Chinese mining company employee, and a third attack by bandits near the Luang Prabang logging and dam sites.

In the global and domestic race to 'finance the infrastructure gap' in Laos, the developmental outcomes of such a race have been misunderstood and critically understudied. The developmentalist 'catch-up' ideology in Laos and the symbolic consensus on which it rests precludes acknowledgement and discussion of the potentially regressive impact of its modernizing objectives and the financing arrangements which underpin them. In an exchange with a senior ministry official, I asked why Laos was a 'price taker' early on in cross-border electricity bargaining despite its monopoly position as a supplier to Thailand and queried whether officials wanted the government of Laos to have a higher share of ownership in joint venture hydro-energy projects. The response had a chilling effect, 'you sound *negative*' with a glare (O18, 2016)- it was delivered in a manner which seemed more like an accusation or label and almost stopped the dialogue in its tracks.[2] More importantly,

[2] I discuss the role and dangers of contemporary state silencing in Ch.5; post-independence

that high level state officials were so oriented towards and vested in protecting investor relations to the detriment of their own bargaining position, long term national development outcomes, and domestic public interest was confounding.

A paradox arises from the observation that as the government of Laos has become less constrained in attaining financing for development projects, their development outcomes have worsened.

This is further puzzling as Laos is in a pro-development region as a member of ASEAN and is situated in the Asian Development Bank's much vaunted Greater Mekong Sub-region (GMS) which explicitly promotes connectivity and economic cooperation with five other members to enhance peace and prosperity: Thailand, Cambodia, Vietnam, Myanmar and Yunnan Province of China. The 2000s saw a historically anomalous global 'super-cycle' triple boom in hard, soft and energy commodity sectors which coincided with what Chinese officials refer to as the 'Golden Decade' of Sino-ASEAN relations. Laos developmentally should have benefitted from these auspicious global currents. Laos' neighbours were on the rise in the new millennium with Myanmar holding its first elections after two decades in 2010; Yunnan benefitting from China's overall growth and regional development programs; Thailand continuing to thrive as a financial hub for the Mekong mainland and high levels of investment pouring into neighbouring Vietnam and Cambodia. The ASEAN Free Trade Area with China began in 2010 and Laos joined the WTO in 2013. Laos' state formation politics had violently purged 'counter-revolutionaries' in its early nominally socialist period and by the new millennium,

're- education' and internment is discussed in Ch. 2; the background context as it relates to this particular interview exchange reminded me of the dangers of being noticed and labelled by senior officials.

Laos' central elite were un-rivalled, cohesive, ideologically re-oriented to capitalism and primed to navigate their entry into the developmental ranks of their regional peers.

A more critical reading of Laos' recent history would say that a focus on the staggering pace at which Laos is accumulating external debt to a concentrated set of regional geopolitical actors in the name of infrastructure-led development misses out on the processes and dynamics with which a new form of distinctly 21^{st} century finance driven dependency is taking place. A core research question of this project is to examine how changing and new sources of finance produce 21^{st} century dependency.

In this dissertation, I argue that Laos has shifted to new and deepened forms of economic and political dependency by being incorporated on disadvantageous terms into the post-Cold War international political economy. This incorporation occurred after a significant shift in development finance regimes from a post-WWII bank-based and industrial lending paradigm to a new capital market-based, portfolio-driven regime dominated by finance capitalism. Significantly, differential temporal access to development lending regimes by 'late-late' and 'very late' developing countries has contributed, I argue, to polarization between developing countries of the south. Advantages accrued to 'emerging' economies who gained access to earlier financing regimes, enabling public ownership and financing of long-term investment projects on highly concessional grounds. These economies have been able to use their advantages to constrain the development of later developing and poorer nations who require long term investment and are accessing finance on much harder terms than previous generations. These early mover advantages within the developing world have come to play a tremendous role in structuring development finance relations *between* south-south actors in the contemporary period. The ‘financial turn’ in the wider global economy has driven new types of unequal and asymmetric development and between new sets of actors who are based in the global ‘South’ rather than the traditional OECD ‘North’. For Laos, this has meant neighbouring states and their affiliated firms have been able to use both their proximity and early mover advantages to extract financialized value from Laos under the guise of financing development. Although Laos is faced with the illusion of access to more forms of alternative financing today than ever before, the global economic terrain of contemporary development finance functions more like quicksand as the terms and risks of borrowing have shifted significantly in favour of creditors. It’s time to bring dependency back in (to the analysis).

This thesis makes a significant, valuable, and ground-breaking contribution to scholars and practitioners of comparative and international political economy and development studies by upending the 20th century classic dependency formulation of direct exploitation as happening between centre and periphery nations to instead focus attention to new relations of dependency occurring *between* south-south actors.[3] I introduce the notion of *proximate dependency* to instead capture the new and pernicious dynamics of exploitation occurring *between* developing countries- economies of proximate developmental distance to each other- in the 21st century.

Furthermore, I elucidate how these asymmetric relationships work distinctly through mechanisms of *financialization,* understood as profits accruing primarily through financial channels rather than trade or commodity production. This marks a unique, much needed and important scholarly contribution by updating the temporal

[3] I utilize south-south here; some structuralists and world systems adherents would characterize the shift as one of moving from centre-periphery dynamics to cannibalism between the ‘semi-periphery’ and periphery.

and ontological landscape to reflect the dynamic realities of the contemporary global political economy. The formation of transnational securitized loans and sovereign bonds which can be sold and traded on capital markets in the raising of financing for hydropower and other infrastructure development projects constitutes the financialization of infrastructure – formerly a public good- and its transformation into an asset class. It also constitutes the subversion of aid into development finance by non-western / non-OECD development assistance committee (OECD-DAC) actors from the global 'South'. As such, this thesis makes a third distinctive contribution by drawing attention to and shedding light on a significantly under-researched area: the role of non-OECD actors in development finance *from a recipient perspective*.

Development finance relationships between recipient governments with a host of new external government agencies, state owned enterprises, state-supported industries, commercial and policy banks, institutional investors, new legal finance entities, and new multilateral institutions form new channels through which emerging countries innovatively exert power over host governments. This occurs between late (post-WWII) developers and their even later (post-Cold War) brethren, cutting against popular discourses of positive-sum 'south-south' development. Asian emerging market multinationals (AEMNCs), backed by their governments and related banks in Bangkok and Beijing, pursue investment relationships in Laos as creditors rather than trade partners. This is a crucial distinction and valuable insight drawn from this study. Substantively, it marks a significant departure from the hierarchal 'flying geese' (Akamatsu 1962) or 'dependent development' (Evans 1979) models of earlier integration as the product cycle has been replaced by the global financial cycle. Investment in energy financing in Laos is pursued with an eye towards dams as returns-bearing assets and allow wealthier emerging economies to pursue returns on investment under the guise of developmentalism. Under the new development finance paradigm, infrastructure is seen by foreign state-business groups as an investment opportunity rather than the development of intrinsic public goods.

I show how Laos emerged from relative Cold War isolation and Soviet-aid dependence in the late 1980s and was quickly integrated into a regional and global development regime that was itself undergoing a shift from aid to private-sector led development (Ch. 2). Liberalizing reforms in Laos, undertaken first by the Asian Development Bank and then the World Bank in its bid to re-enter the global hydro-lending landscape served to renovate the regulatory, institutional and business landscape of Laos. Significantly, OECD multilateral development banks introduced tools of modern finance into contemporary Lao infrastructure building (Ch. 3 and 4). Bretton Woods institutions intended to further a public-private-partnership (PPP) agenda; they instead paved the way for the expansion and deepening of financial markets in the name of development led by Asian emerging country multinationals and supported by their home governments eager to transform 'national champions' into international powerhouses (Ch. 4). Seemingly small and innocuous institutional innovations brought to Laos, some for the purposes of environmental conservation (Ch.3), led to perverse outcomes and momentously facilitated a watershed of financialized regional infrastructure investment by coordinated state-business groups from Thailand, Malaysia, and China in the re-organized aftermath of the Asian (1997) and Global (2008) financial crises.

This historical account demonstrates continuity, change and compatibility between the state capitalism practiced by East and Southeast Asia's emerging economies and the OECD-aid regime that preceded them in Laos. Asian emerging economies exploit the liberalizing environment spearheaded by Bretton Woods institutions to further their own interests, while creating parallel governance institutions and divergent lending and environmental practices to the norms established by the OECD Development Assistance Committee (DAC) (Ch. 5).

Lao elites see regional investors as merely solving a savings-gap dilemma. They believe their main problem is one of capital constraint, or rather, lack of savings to finance development rather than one of dependency. Asian economies such as South Korea and Thailand both borrowed from foreign savings to finance their industrialization[4]; in the same manner, Lao elites believe they can finance their own future autonomy through regional borrowing from foreign policy and commercial banks. In the face of a constrained tax base and dwindling access to concessional and grant lending from multilateral development banks, Lao elites are under the illusion that they are unconstrained by capital given an array of alternative financing sources and actors able to tap into large pools of lending from global capital markets. The illusion of fast finance enables domestic Lao elites to believe they are in control of their modernizing destinies and are agents of their own autonomous economic development while ignoring, or delaying, the perils and pitfalls of accumulating staggering levels of private and sovereign forms of debt.

The remainder of this chapter proceeds as follows. First, I discuss the extended argument with reference to existing literature and theoretical approaches (1.1). Second, I discuss case selection, research design and methodological matters (1.2). Third, I conclude with the implications of this study and provide a roadmap of the thesis structure and other chapters of the dissertation (1.3).

[4] For more on this, see (Frieden 1981; Fischer 2018)

1.1 Literature Discussion

This thesis brings innovatively together three disparate but important areas of research on: a) the changing nature of development finance regimes; b) the literature on state capitalism; and c) accumulated scholarship on the political economy of Laos. In doing so, it elucidates the role of financialization in fostering political and economic dependency and maldevelopmental outcomes in contemporary Laos. The evolutionary perspective adopted in this study historically traces both continuity and change between western, traditional OECD aid donors and Asian regional private investment and state capitalist entities operating in Laos over time. In doing so, it provides a significant contribution to the Lao studies literature by updating and extending the extant literature into the new millennium and the state of the art by contextualizing the political economy of development in Laos within broader international and regional processes and wider temporal horizons to highlight the temporal mismatches between Laos' need for patient capital and its dealings with impatient finance. I supply empirical and historically grounded discussion concerning the privatization and financialization of development in Laos, as well as examination of the interplay between state capitalism, development lending and the domestic political economy of Laos' infrastructure-led development model. Conversely, detailed engagement with the historical record provided by the accumulated scholarship on the political economy of Laos also yields important insights for understanding and assessing new and competing framings of contemporary politics within the international political economy of aid and development finance literatures. Working at the interface of these disparate literatures has allowed for the examination of each body of scholarship through new lenses, which has yielded critical and important insights across these bodies of research. I will first discuss the accumulated scholarship on the political economy of Laos (1.1a) before moving on to a discussion of development finance (1.1b) and state capitalist (1.1c) literature.

1.1a *Extant Scholarship on the Political Economy of Laos*

The extant scholarship on the political economy of Laos can be framed into three periods and groups of work: i) seminal works on Lao colonial, post-colonial and civil war time history and historiography by scholars produced between the 1960s – 1990s; ii) 'second generation' scholarship focused on documenting the 'market transition' phase of Lao republican history after the Cold War which provide rich grounded empirical studies of Laos through the 1990s and early 2000s; and iii) more recent scholarship, mostly site-specific studies, focused on dramatic land and resource use changes in Laos over the last decade (from roughly 2009 onwards). Missing from the extant literature is research which contextualizes Laos' national economic development trajectory regionally and globally within broader contemporary international and comparative processes, nor political economy analysis which unpacks the mechanisms, forces, and tensions which impinge on the decision-making cosmology of state officials, especially with respect to the role of development finance and financial mechanisms in driving contemporary processes of mega-development. Interestingly, scholarship on Laos across all three periods have remarked on its low level of development (in terms of human capacity, capital, income and infrastructure) and remarked on its reliance on a revolving cast of foreign actors, but no studies have explicitly or formally analysed and theorized these circumstances in the context of a dependency framework. This thesis attempts to address this gap in the literature and raise a different set of questions to cover aspects not currently reflected in the extant scholarship. I discuss developments in the accumulated scholarship on Laos and specific sets of works in further detail below while situating and contextualizing my work to the extant literature.

Scholars of Lao socio-political and economic history across the three periods share a common thread of activist scholarship in documenting and elucidating the plight of Lao actors from civil and transnational proxy war to market transition and neoliberal development. Many early generation western scholars started their engagement in Laos as Cold War foreign service and aid practitioners-turned-scholars or as historians and anthropologists conducting study during war time.(Halpern 1964b, 1964a) Early scholars of war time Laos focused their gaze on fostering narratives studies of colonial and post-colonial nationalist elites as well as anthropological studies of ethnic communities.(Zasloff and Brown 1991; Brown 1986a; Gunn 1988a; Stuart-Fox 1986; G. Evans 1990, 1988, 1988) Their work served to establish a historical record of war time experiences from within Laos, unpacking turning points in military and political history from a reconstructed indigenous perspective (Brown 1986a; G. Evans 1990). As such, their sympathies and focus of analysis lay with historical agents who were Lao nationalist and political elites in their encounters with US state department and CIA officials and the likes of Ho Chi Minh and Vietnamese cadre leaders. I draw on and analyze the work of this early wave of scholars in more detail in chapter 2 to provide a historical and political background for the post-Cold War and last thirty years of development analysis which form the primary focus of this thesis in chapters 3-5. For the purposes of this discussion, the wider argument of this thesis- that Lao relations with regional and international actors in the new millennium constitute a specific 21st century form of dependency which operates through financialized pathways- features historical parallels to the work of early scholars of Laos who laid bare the geopolitical and financial reliance of Lao elites on foreign actors, specifically US and Soviet Cold War aid as well as its dyadic reliance on north Vietnamese military and political direction, but there are also critical points of departure (Phraxayavong 2009). Wading through classic scholarship on 20th century Lao history, it becomes apparent that Laos has always relied on external economic assistance in the modern era, however what is distinct about Lao dependency in the 21st century is how it operates through state and private actors operating in the global south and primarily through mechanisms of finance.

Recent scholarship combining international relations, political geography and development studies have echoed the 'great power politics' perspective which underlined classic scholarship on 20th century Lao history. Scholars in this vein have characterized changes in international aid policy particularly in the US, UK, Canada, Australia and other OECD donor countries as taking a 'retroliberal'turn (Murray and Overton 2016), encompassing elements of neoliberalism while emphasizing a return of the state as private sector facilitator and the 're-entwining' of aid, trade and diplomacy in the wake of the 2008 global financial crisis (GFC). Analysis in this vein argues that (primarily western) donors of the Paris Club have radically altered the mission of aid towards donor self-interest while pursuing infrastructure projects in the developing South, harkening back to the modernization period of the 1950s and 1960s. The retroliberal framework advocated by these authors mirrors the emphasis on analysing events through the prism of 'great power politics' that was evident in classic historical work on 20th century Lao history. Retroliberals risk propagating an OECD-centric partial narrative which masks or overlooks the extent to which changes in official assistance were already under way in OECD and non-OECD ('non-traditional') contexts before 2008, the latter because of private sector restructuring, particularly in Asia in the IMF-adjustment aftermath of the Asian financial crisis in 1997 (Ch. 4) and in China throughout the 1990s and early 2000s (Ch.5).

A second set of scholarship on the political economy of Laos produced between the 1990s and mid-2000s excellently captures the rapid changes which accompanied Laos' early market transition period and its fast incorporation into the OECD bilateral and multilateral aid regime (Bakker 1999; Daoroung 1997; Fujita 2004; Goldman 2005; Rigg 2005; Soulivanh et al. 2004). This generation of activist scholars not only documented these changes but also drew attention to and provided countervailing evidence to scrutinize, delay, and halt OECD and World Bank projects during this period, the most significant challenge mounted being the campaign against the infamous Nam Theun 2 mega-hydropower project (C. S. Greacen and Greacen 2004; C. Greacen and Sukkamnoed 2005; Permpongsacharoen 2000, 2005; Ryder 1994). In hindsight, Lao-based scholarship from this period document how aid, trade and diplomacy were always entwined and part of OECD practice well before the claim of retroliberal scholars that the 2008 GFC was a turning point for western aid. Scholars researching Laos in the 1990s documented, for example, the role of Norwegian aid, Norwegian hydro-industry actors, and the Norwegian export credit agency in assessing Laos' hydropower potential through an influential Norconsult report commissioned by the Asian Development Bank which recommended over twenty hydropower projects in Laos (Norconsult 2002; Usher 1997). Coincidently, the first hydropower project to be built during the market transition period was the Theun Hinboun project in 1998, a joint venture between the Government of Laos and Norwegian state-owned Statkraft, financially supported by the Norwegian export credit agency. This modality of dam financing which would later become popularized and propagated at vast scale by the Chinese state-controlled Sinohydro company with support from the Chinese Export-Import Bank in Laos is not therefore specific to Chinese state and private sector actors, although they have succeeded in expanding the scope of Chinese state-business deals in Laos and elsewhere at vast magnitude through a concerted campaign of public-private policy coordination backed by diplomatic leverage to an aggressive degree and reach not seen in the 1990s OECD-DAC regime.[5]

Lao scholarship in the market transition period critically documented and drew attention to the nascent entry of private investment into development, or what Karen Bakker called the ‘privatization of development’.[6] Bakker was one of the first to note the increasing involvement of private actors and the politicization of resource use in the Lao infrastructure (road, rail, air, water transport) and hydro-energy sectors. However, writing of projects from the vantage point of 1999, Bakker wrote, ‘(hydro) projects are almost always secured with support from, and to some degree subsidized by Western bi- and multi-lateral lending and aid agencies, which lends a degree of security to investment’.[7] She could not have foreseen or anticipated the turn away from OECD bi- and multi-lateral agencies by Lao officials in the mid-2000s and their replacement with fully regional Asian private and state-backed lenders discussed in this thesis. The later construction of the Nam Ngum 2 dam in 2005 and its completion in 2012 was the first hydropower project in Laos to be completely financed and insured by Asian private sector lenders, with backing from the Thai Electricity Generating Authority and Ministry of Finance. By 2013, the

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[5] I am mostly referring to scale and quantity rather than making an assessment about relative use of political and diplomatic leverage on Laos by 1990s OECD donors and post-2005 Chinese firms and state agencies.
[6] Bakker, ibid, p.221
[7] Bakker, ibid p. 217

$1.2bn Xe-Pian Xe-Nam Hydropower Project went even further and was financed entirely by Thai commercial banks while developed by two South Korean state-backed conglomerates and given further risk guarantees by the South Korean Export Import Bank with no trace of western bi- or multi-lateral actors to be scene. As such, this thesis extends the work of Lao political economy scholars from the market transition period into the new millennium and documents not only the 'Asian turn,' but the 'financial turn' in Lao private-public development lending.

Anne Usher's 1997 *Dams as Aid: A Political Economy of Nordic Development Thinking* was one of the first to link the political economy of OECD aid to a decline in dam-building opportunities in 'centre' or 'metropole' OECD countries with strong dam traditions – Norway, the US, and Sweden –whom she argues, attempted to export dam-building expertise and consultants to Laos. Her analysis of the exportation of dam-building services and their link to aid agencies during the 1990s hey-day of the OECD-DAC development regime in Laos foreshadows similar later practices by Asian construction and dam developers in the 2000s as Thailand and China began to reach the domestic social and environmental limits of their own dam-building sprees and turned their attentions to Laos (Mcdonald, Bosshard, and Brewer 2009). Re-visiting and contextualizing the scholarship on the political economy of OECD aid in Laos in the 1990s with more recent changes to the OECD development finance landscape widens the temporal window beyond the 2008 starting point proposed by retroliberal scholars and in doing so, yields a very different reading. To start at the 2008 GFC, as retroliberal scholars do, is to accept a framing that implicitly and explicitly alludes to Cold War superpower competition transposed to contemporary competition between their portrayal of a post-2008 OECD version of tied aid and Chinese tied aid. Testing and grounding this framework to the historical time horizon of the Lao case, we find that OECD tied aid politics precedes the entry of Chinese bilateral financing in Laos, precedes the 2008 GFC and more crucially, by leading the dramatic market-led legislative and bureaucratic reforms in Laos during the 1990s market transition period, OECD actors introduced the very tools and instruments of modern finance which later enabled non-OECD actors to enter the Lao market for investment which OECD actors had a large role in constructing. The historical arc and picture that arises is one of complementarity and continuity between OECD and Asian investors which pre-dates contemporary geopolitical and economic tensions.

Activist scholarship on the then-potential distributional effects of large scale development in Laos in the market transition period sounded alarm bells to help draw attention to the marginalization of ethnic minority and rural communities and the redirection of revenue flows from hydrodevelopment away from local people and local use (Hirsch and Warren 1998; High et al. 2009; I. G. Baird and Shoemaker 2007; I. G. Baird, Shoemaker, and Manorom 2015). That this happened under the policy direction of bi- and multilateral OECD-DAC development agencies in the historical aftermath of the 1987 Brundtland / World Commission on Environment and Development report, the 1992 Rio Earth Summit and the recommendations of the 2000 World Commission on Dams report fostered scholarship which deployed discourse and policy analysis with ethnographic work to draw attention to the ways in which a 'public script' for development was constructed and deployed to deflect from the MDB privatization agenda of the 1990s.

Scholars committed to environmental conservation from this period were at the forefront of analysing and highlighting technocratic repertoires of 'green-washing' or the production of authoritative knowledge to legitimize neoliberal development as a force for, rather than a destructive force against, environmental protection. Goldman's seminal work on the creation of new knowledges, regulation and the absorption of opposition by the World Bank in the name of environmental protection exemplifies the epistemic and institutional deployment of Gramscian hegemony, Hardt & Negri's notion of biopolitical power, and Foucaultian governmentality applied to the sphere of political ecology (Goldman 2005; Hardt 2000).[8] Scholarship from this era documented the nascent development of 'green governmentality' in Laos for the historical record. It reflects not only the World Bank's attempts, but other associated international institutions and their attempts to primarily respond to criticisms from the transnational civil society sector of the 1990s and early 2000s. Reflexively engaging with and looking back on this scholarship and historical period in hindsight, it has been helpful for this thesis project in considering the historical impact of this period and its social and cognitive influence on Lao officials who lived through this window of time and whom continue to wield domestic policy influence. Ethnographic observations and responses from Lao officials gleaned over the course of research collection for this thesis[9] were analysed with respect to the genealogy of the institutions and knowledge practices which shaped dominant thinking, policy practice and permissible discourse around development between Lao officials and international development practitioners, and within Lao government and society over the last quarter of a century. That Lao officials see themselves as private sector facilitators reflects their structural position within global development finance regimes and the post-structural influence and legacy of internationally dominant epistemic practices propagated by

[8] For examples beyond Laos see (Agrawal 2005; Peet & Watts,2004; Scott 1998)
[9] Discussed in the context of contemporary private hydro-finance in Ch. 4

neoclassical multilateral financial institutions and their disciplining regime. That latter-day Lao officials choose to exercise their political agency in development decision making by side-lining OECD-DAC institutions in diplomatic fora and selecting non-OECD regional investment partners for development projects is significant for reflecting on how past experiences with OECD-DAC engagement under the 1990s-western aid regime have been perceived and digested by host nation development actors. There are wider implications for this historically reflexive analysis in the context of better understanding broader patterns of change in the contemporary international politics of aid and development finance.[10]

More recent scholarship on the political economy of Laos over the last decade has yielded an array of rich site-specific studies of the distributional impact and local politics of regional investment concentrated in research on new developments in agro-forestry, plantation rubber, special economic zones in Laos as well as water governance (Kenney-Lazar 2012; Lu 2017; Mcallister 2015; Carl Middleton and Allouche 2016; Nyíri 2012). This newer third wave of research has continued the normative and epistemic traditions of second wave scholars by shifting focus to the micro-level impact and effects of large scale land acquisition for resource concessions in mining, hydropower and industrial agriculture on specific local communities (Baird, Shoemaker, and Manorom 2015; Broegaard, Vongvisouk, and Mertz 2017; Schonweger and Messerli 2015; Zoomers 2010). Some of the new generation of activist scholarship has coalesced and mobilized around discursive framings of the Lao state-driven development model as 'land grabbing,' supported by the transnational Land Deal Politics Initiative (LDPI) research network and promoted through a renewed agrarian and peasant studies community and related

[10] An extended discussion can be found in the Conclusions chapter.

journal outlets (Hall 2011; Kenney-Lazar 2012; Matthews 2012; Zoomers 2010). While market transition scholars of an earlier generation deployed Foucaultian analysis to examine the complex epistemic production and projection of hegemonic knowledge and discourses by multilateral development institutions vis-à-vis challenges from domestic and transnational civil society and host nations, third wave scholars of Lao political economy deploy Foucaultian analysis domestically, taking inspiration from the writings of James Scott on authoritarian high modernism and rural resistance (Harvey 1989; Scott 1998)[11] to position the expansion of state territorial 'reach' into rural, minority and predominantly upland areas as a form of internal governmentality to explain the acceleration of what Marx called processes of primitive accumulation in Laos. The relative infrastructural capacities of the World Bank in the 1990s and the Lao state vis-à-vis Lao society in the 2010s are inherently different. Foucault's original writings on French governmentality and biopolitical power were launched in a post-Weberian context, in which the powers of the French leviathan and welfare state had become omnipresent in civic and private life. Lao state formation and regulatory capacities still leave much to be desired; although the spectre of state surveillance, censorship and threat of violence is omnipresent in Lao society, the infrastructural reach of the Lao state is less even and not well resourced given its low underlying level of post-colonial underdevelopment (Ch. 2) and the principles of austerity and 'small-state' ideology which condition and constrain external assistance. The processes of accumulation by dispossession in Laos which

[11] (Scott 1998); Scott popularized the phrase 'high modernism' but borrowed this term which was originally coined by David Harvey in (Harvey 1989).

recent scholarship places squarely at hands of the Lao state require some further analysis and unpacking.[12]

David Harvey's extension of what Marx called primitive or original accumulation stems from what he calls a global problem of over-accumulation, which, because of its, 'inability to accumulate through expanded reproduction on a sustained basis has been paralleled by a rise in attempts to accumulate by dispossession'(Baird, Shoemaker, and Manorom 2015; Zoomers 2010) Harvey links processes of financialization, privatization, regressive state redistribution from the poor to the rich, and crisis manipulation as practices which further the new mode of accumulation by dispossession. As such, localized studies of displacement, land eviction and dispossession in Laos which keep focus specifically on the complacency or complicity of Lao state officials in failing to uphold or protect customary tenure or in their inability to resolve the inherent contradictions of multiple claims on land is but one facet and the most frontline and literal aspect of the dispossession phenomenon (Broegaard, Vongvisouk, and Mertz 2017; Kenney-Lazar, Suhardiman, and Dwyer 2018; Zoomers 2010). The violence and trauma of land eviction is alarming and insidious and I commend the normative allegiance of third wave scholars of Lao political economy for keeping the plight of subaltern communities front and centre in scholarship.

This thesis research focuses on a different set of questions and looks at different aspects of the dispossession phenomenon. It draws on insights from the development finance and state capitalist literatures to elucidate the channels,

[12] Much recent scholarship on Laos is concentrated within the discipline of geography and its subfields of political, economic and environmental geography; as such, much of the recent literature takes David Harvey's writings on accumulation by dispossession as a starting point for analysis. For more on the dearth of political economy studies of Laos, see: (Creak and Barney 2018).

pathways and mechanisms by which capital overaccumulation operates and finance (or 'interest-bearing'[13]) capital enters contexts such as Laos; the historical and international political economy factors and constraints which impinge on Laos' structural position in the international economy; and the drivers, incentives and instruments through which finance capitalism is able to separate the use value of water, rivers, land and forests and leverage its future value in present exchanges many times over through promise of value in the future. I make a slightly different argument to that of contemporary scholars of Lao political economy who locate dispossession primarily through Lao state complicity in the re-direction and re-distribution of resources away from subaltern rural communities to argue that from a national level of analysis and dependency perspective, the problem of maldevelopment is not just distributional but productivist in nature – Lao society as a national whole, is losing out (with some communities much more than others) through the financialization of development.

1.1b 'Between a Rock and Hard Place' - Financing Development and Development Finance: Searching for Patient Capital in a World of Impatient Finance

Traditional post-WWII Bretton Woods aid followed in the vein of the Marshall Plan for European Reconstruction with an emphasis on 'big push' aid channelled through developing country government channels or parastatals.[14] Financing for development in the golden era of development economics was premised on the Harrod-Domar model, which sought to substitute the low savings rate in developing countries with short-term aid to stimulate the capital-output

[13] For discussion of interest-bearing capital and Marxist perspective on financialization see: (Fine 2013).
[14] For more on the 'Big Push' era see (Meier 1984).

ratio.[15] The Bretton Woods era of public financing provided long-term lending for large scale projects that provided upfront capital, this was especially the case for public utilities and electricity projects. Laos' first hydropower project, the Nam Ngum dam was financed in 1966 through a multilateral fund set up to receive concessional loan and grant assistance from Japan, the US, the World Bank and the UN. Zambia's Itezhi-Tezhi dam, built in 1973, was financed with a combination of a World Bank loan, government loan, and internal resources of the national government-owned power company ZESCO; World Bank loans went directly to ZESCO rather than any special vehicle or shell holding company for project finance. Development financing for most post-WWII late developing countries in the 20th century was a mixture of public finance and multilateral concessional lending. From a Gerschenkronian 'late development' perspective, bi- and multilateral development bank (MDB)-based finance allowed some late developing countries to 'catch up' by utilizing concessional aid to smooth over long-term financing constraints.[16]

Outside of the Nam Ngum 1 dam which was completed in 1984 and the smaller Xe Set 1 dam completed in 1990, no further 100% publicly owned hydropower or major infrastructure projects have been built in Laos since; those two projects were established through the Bretton Woods financing regime the during Cold War period, during which time Laos was preoccupied with civil war and then closed off to the wider world from 1975-1990 when the Communist revolutionary party gained control of the state. Since then, Laos has been in search of patient capital in a development financing landscape which has moved towards private-

[15] For further reading see: (Easterly 1999).
[16] Gerschenkron discusses the advent of short and long-term financing in comparative perspective across 19th century industrializers; the discussion here focuses on the ways in which MDBs substitute for domestically mobilized state industrial banks; (Alexander Gerschenkron 1962)

sector led financing of projects. From its earliest engagement with the OECD aid-regime, Lao officials lamented as far back as the early 1990s that they had difficulty accessing concessional financing for development projects, despite being a post-socialist, highly agrarian transition country of low enough income to qualify for the Highly Indebted Poor Countries (HIPC) initiative.[17] Electricite du Laos officials recounted that soft lending in the 1990s was hard to come by, "we would have preferred a soft loan to develop our projects…both the World Bank and ADB said they do not have money for large-scale projects in Laos. If you are poor you don't have much say. That is the price to be poor" (Pholsena and Banomyong 2007, p.90). The terms of access to bi- and multi-lateral OECD concessional and grant lending have not gotten easier with time, but rather harder.

Scholars and development practitioners may not agree on the future of aid and development finance; on who will lead and on what actors will play what role, but they are in unanimous agreement that the post-WWII Bretton Woods model of pure grants and concessional official development assistance (ODA) which formed the bulk of long-term financing for development in the second half of the 20th century is in serious decline, with some even predicting its imminent death.[18] Concessional official development assistance from OECD donors fell from $57 billion in 2013 to $51 billion in 2015, with future pledges stagnant and declining for the replenishment of the International Development Association, African Development Fund and others.(Felino and Pinto 2017) This is in spite of the fact

[17] Laos did not join the HIPC initiative as it was convinced by Japanese government and private sector officials to accept private and bilateral investment in lieu.
[18] (Severino and Ray 2009), (Kharas 2007) Mawdesley refers to this as a world 'beyond aid': (Mawdsley 2018)

that the collective OECD Development Assistance Committee (DAC) aid budget has not fallen (Mawdsley et al. 2018).

Alarm bells have sounded from OECD-focused scholars and practitioners concerned over the G20 and World Bank's shift away from ODA and its traditional mission of development assistance to the use of public money to 'trigger' or provide risk guarantees for private sector actors to invest in filling development financing 'gaps' in an envisioned 'Maximizing Finance for Development' (MFfD) agenda, or turning 'billions to trillions' to finance the SDGs (Mawdsley 2018). Concerns have been raised over how uneasily the profitability of private finance sits alongside social and environmental development goals (Saad-Filho and Tomkinson 2017); how resource flows from finance-driven globalization are often highly concentrated geographically and sectorally, bypassing the poor and the long-term investment needs of the poorest developing countries (UNCTAD 2015); how this contributes to interconnected risk, potential for volatility and financial fragility (Akyuz 2017; Gabor 2018b); and how this constitutes a subsidy to the private sector at the expense of taxpayers in donor countries and potential public beneficiaries in developing countries (Mawdsley et al. 2018).

There are multiple definitions of financialization. Greta Krippner defines financialization as, 'a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production' and as, 'the growing importance of financial activities as a source of profits in the economy.' (Krippner 2005, 2011) This viewpoint is echoed in the 2015 UNCTAD Trade and Development Report: *Making the International Financial Architecture Work for Development* which contrasts global finance to global trade flows: 'In 1980, global trade had been at a level relatively close to that of global finance, at around a quarter of world GDP, but by 2008…global finance had grown to become nine times greater than global trade.' Epstein defines financialization as, 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies' (Epstein 2005). Fine and Saad-Filho define neoliberalism as a stage in the development of capitalism underpinned by financialization, seeing it as, 'a departure from the past both in scale and in the scope of financial activity in pursuit of financial returns at the expense of production'(Fine and Saad-Filho 2017). I share Krippner's view that financialization is a process of generating profit from financial channels rather than trade and commodity production, and that it is also a trend in the increasing power and prominence of financial actors and activities in the international political economy. I subscribe to Knox-Hayes' definition of financialization as a, 'process of reducing value that is exchanged (whether tangible, intangible, future or present) into financial instruments or derivatives of financial instruments…(it) is intended to accelerate the rate of profit accumulation from the exchange of financial instruments' (Knox-Hayes 2013).

As an extension of the critique of OECD aid being made to serve capital, further evaluation of the 'financing for development' agenda draws attention to the ways in which donors and mainstream development actors are re-oriented to serve processes of financialized accumulation by dispossession. In the words of Van Waeyenberge and Bayliss (2017):

> 'While earlier drives for privatization in donor advocacy formally highlighted the potential efficiency gains deriving from increased private sector involvement in public service provision, the more recent wave of PPP advocacy is anchored almost entirely in arguments seeking to match a glut in global savings with the need to upscale public service provision in developing countries. This has created an increasingly financialized approach to infrastructure, as policy is framed in terms of investment opportunities for financial investors and institutional arrangements bearing on infrastructure provision are reconfigured to facilitate their entry into the sector.'

Their observation is mirrored by statements from the G20 Eminent Persons Group: 'securitising on a large scale, across the MDB system, will in effect create new asset classes and attract a wide range of investors.'[19]

The temporal mismatch between the long-term financing needs of late-late-late developing countries such as Laos and the short-termism of the corporate investment sector has become particularly compressed and acute under capital market-based finance, which prioritizes a particular short-termism in economic decisions driven by an imperative for generating and appropriating surplus out of finance (Panitch and Konings 2008). As such, the financialization of development and particularly the financialization of infrastructure, or what is referred to as the re-engineering of infrastructure as a public good under the Bretton Woods regime into a returns-bearing asset class[20] and investment opportunity for institutional investors, is part and parcel to extending the next round of overaccumulation or accumulation by dispossession. Gabor refers to this as the process of:

> '…connecting banks and shadow banks in the production (eg securitisation of illiquid bank loans) and funding (via wholesale markets) of tradeable securities. The new financial order, we worry, means…one that is cyclically vulnerable to swings in securities prices, and that reduces the space for autonomous developmental strategies in poor countries' (Gabor 2018b).

In effect, most of this has already happened in the non-OECD world of development finance as it operates between East and Southeast Asian state-corporate and sovereign actors, as the Lao case will demonstrate. The 'securitized turn' in the OECD donor world may be new, but it is not new in the non-OECD development finance world. In this respect, the Lao case uniquely offers a glimpse of the future as a bellwether case, as infrastructure-backed securities have been engineered by non-

[19] http://www.ltiia.org/news/b20-communique-policy-recommendations-g20/
[20] For the OECD's explicit take on 'crowding in' private investment through an approach which treats infrastructure as an asset class, see: (OECD 2018)

OECD Asian regional actors under the guise of financing for Lao hydropower dams for well over a decade (see Ch. 4). Laos' early experience with denial of access to concessional lending by fact of being historically late-late-late[21] to the OECD financial trough meant an early pivot to non-OECD alternative financing sources. I discuss these non-OECD alternative financing sources by way of the literature on state capitalism in the next section.

1.1c *Back to the Future: State Capitalism, Financialization and Proximate Dependency*

Writing on the nexus between less developed countries and international finance in the early 1980s, Jeffrey Freiden had this to say: 'LDC commercial bank debt is not simply an accumulation of numbers on bank balance sheets, a highly sophisticated form of electronic game; it represents the most rapid, most concentrated, most massive flow of investment capital to the Third World in history' (Frieden 1981 p.407). Frieden went on to discuss how private financial institutions had displaced multinational corporations and official aid as the most important source of foreign capital available to 'third world' countries between 1965 and 1981. Parallels with the contemporary period abound. The historical outcomes of this borrowing in Latin America and East Asia were of course, debt crisis for the former in the 1980s and the Asian Financial Crisis of 1997. What is significant about Frieden's observations concerning debt owed by governments, government agencies, state-owned industries and state-supported enterprises in LDCs to private banks in

[21] I am referring to lateness as a temporal condition of developing after others have developed, not as lateness envisioned on a linear, universalized teleology of industrialized development, as modernization theory or certain readings of Gerschenkron might infer. Late-late-late describes countries attempting national development policies and infrastructural expansion after the Cold War period. For discussion of late development as a term and its genealogy, see: Andy Sumner, 'Global Poverty and Inequality: Change and Continuity in Late Development', *Development and Change* 50, no. 2 (1 March 2019): 410–25

the Euromarket in that period was the way in which foreign indirect investment between developing country governments and international banks forged 'bank debt-financed, government led industrialization', or in other words, external private bank-financed state capitalism.

Three decades after Frieden's study of international finance and state capitalism in Mexico, Brazil, Algeria and South Korea, in the aftermath of the financial crises and painful adjustment periods which shook the above countries, heterodox scholar-practitioners in Brazil declared a manifesto for a new developmentalism in 2010 advocating for a reliance on exports to cover foreign exchange needs amongst other neo-structuralist proposals.[22] This was further supported by UNCTAD in its long held view that developing countries should rely primarily on domestic rather than external sources of finance (UNCTAD 2012, 2015).

The neo-developmentalist manifesto and proclamation touches on a series of debates which are necessary to unpack and further develop for scholars and practitioners interested in developments occurring within and between the global 'south'. The first relates to the nature of exports and growth in the current global political economy, the second relates to forms of external lending/borrowing in a 'pluripolar' global financial architecture (GFA), and the third to external debt.[23]

On the issue of exports, some scholars have already taken the neo-developmentalists to task for their claims that East Asian export-oriented economies did not rely on foreign savings in the 1970s, which as Frieden documented and

[22] (New Developmentalist Project 2011) For further on neo-developmentalism see: (Bresser-Pereira 2005, 2006; Sicsu 2006)
[23] On 'pluripolar' GFA see: Grabel, 'Continuity, Discontinuity and Incoherence in the Bretton Woods Order: A Hirschmanian Reading'. For an older take from an area studies perspective, see: (Katzenstein 2000)

Fischer argues, some did.[24] Others have noted that Brazil has been able to maintain hybrid neo-liberal and heterodox/neo-structural policies due to export earnings from the 2000s commodities super-cycle, underpinned by Chinese demand, and the benefits of its relative privilege as a larger ‘emerging’ country within the global economy (Morais and Saad-Filho 2012). This last point is significant, as discourses of the ‘rise of the South’ and global convergence mask and obfuscate the heterogeneity, inequality and divergence of positions and vulnerabilities within the south and the global economy.[25] A framework which takes into account global imbalances and overaccumulation would acknowledge that concentration of income and falling real wages alongside tight macroeconomic policies in many OECD countries as well as China alongside overinvestment in export-intensive industries have created a global trend towards underconsumption and deflation. Global demand for commodities as a source of investment in research-rich developing countries may face a permanent slowdown as Chinese growth shifts towards consumption, which is less import and commodity intensive (Akyuz 2013). It is unlikely that commodity prices will return to pre-2008 crisis levels. Large ‘emerging’ countries like Brazil may be in a better position than smaller commodity exporters in the event of a global slowdown, from a balance of payments perspective, whiling having realized gains during the recent 2000s boom.

There is a need then to distinguish between the relative advantages and disadvantages between developing countries of the south, and yet scholarship consistently lumps together ‘emerging’/middle income countries with lesser

[24] On debt-financed development and a rebuttal to neo-developmentalists, see: (Fischer 2018)
[25] (Horner and Hulme 2019) For a more thorough political economy take, see: (Saad-Filho 2014)

developed countries which are far from such levels into the same acronyms such as EMDs (emerging and developing countries) (Grabel 2019); DTCs (developing and transition economies) (Saad-Filho and Tomkinson 2017); and DECs (developing and emerging countries) (Gabor 2018a). This is not merely a semantic issue, but an analytic, conceptual, and descriptive matter which shapes how people think about forms of coupling and integration or polarization within the 'south' and between certain 'southern' states and the global 'north.' Andy Sumner makes a distinction between developing countries which are 'stuck' and likely to be for some time, and others which are likely to grow their way out of measurement categories, framing this as 'polarization within non-OECD countries' or 'polarization between developing countries' (Sumner 2019) while advocating for a better lexicon of analytic concepts and descriptive terms with which to capture and engage with contemporary phenomena, which I'm in agreement with. But what are the conditions or factors which make some countries 'stuck' while others not? Are they endogenous or external? Here the issue of temporality, privilege, and size within a 'polarized south' comes into play.

The structural transformation, policy changes and reformist agenda which neo-developmentalists advocate are not dissimilar to the heterodox, national development strategies partial to selective industrial policy which have been implemented elsewhere in East Asia under a different name (Amsden 2001; Chang 1996; Haggard 2015; C. Johnson 1982; Wade 1990). As Saad-Filho notes, 'neo-structuralism grants a central role to state action with a view to the implementation of a national development strategy to eliminate the economic and social gaps between (the state) and the centres of developed capitalism.'[26] As such, it belongs to the CEPAL/ECLAC tradition of neo-structuralism described as one of the three traditions of Latin American scholarship on dependency by Palma, the other two being Cardoso and Faletto's seminal work on enclave development, and the neo-Marxist strand of Andre Gunder Frank and others. Andrew Fischer has discussed the continuing relevance of dependency scholarship as a toolkit for analysing contemporary international political economy, with an excellent historical overview of past literature, however his analysis remains wedded to issues of trade and production like much classic scholarship.[27]

I want to situate this project in dialogue with the first two approaches to classic dependencia analysis raised by Palma, while also taking them as a point of departure to advocate for a different term – proximate dependency- to capture the different dynamics of asymmetric and exploitative relations between south-south actors in the 21st century context rather than south-north/centre-periphery formulations of the 20th century. Another crucial distinction is that proximate dependency also takes place through financial mechanisms rather than through terms of trade and production as originally analysed by CEPAL scholars (Prebisch 1950; Furtado 1965). Fischer astutely points out that the neo-Marxist variant of dependency took hold in the North due to lack of translation for the other two strands of scholarship. The neo-Marxist variant, because of its structural determinism, was used as a strawman by northern scholarship to widely loathe and pan the whole of the broad and diverse dependency canon (Smith 1979b, 1979a; Stallings 1992;

[26] Morais and Saad-Filho, 'Neo-Developmentalism and the Challenges of Economic Policy-Making under Dilma Rousseff' p.797.
[27] (Palma 1978) For extended discussion, see (Fischer 2015) Also (Fernando Henrique. Cardoso 1979) (Frank 1975)

Wallerstein 2004) as neoclassical and neoliberal ideas took hegemonic ascent from the 1970s onwards. Lao reliance on state-backed Asian regional investment takes place in a context of dependency, but in a different geographical region, with different modalities, in a different temporal period which requires a new taxonomy while drawing on core insights from the original literature.

On the second and third issue of debate related to sources of finance and contracted debt, neo-developmentalists advocate domestic self-financing of development and on this point there are insights worth revisiting from the classic era of dependency scholarship to shed light on contemporary discussion on development financing. These insights remain relevant as contemporary borrowers engage in bi- and multilateral agreements with a whole new set of non-traditional donors and creditors. Twentieth century dependency scholars were concerned with basic questions of magnitude in foreign supply of factors of production, constraints on development choices and domestic social relations (Caporaso 1978). Debates over contemporary non-DAC aid involve concerns about technology transfer, employment, and the magnitude of capital or debt one country may hold over another, with US Senator Chuck Grassley famously deploying the phrase, 'debt trap diplomacy' to characterize and rhetorically politicize Sino investments in Africa under the Belt and Road Initiative and potential bailout requests to the IMF from countries who accept sino-infrastructure financing.[28]

One way of thinking about external capital and its relationship to recipient country development could be to assess its multiplier effects and linkages, as classic development economists and dependency-leaning scholars of the 20th century raised

[28] ('Grassley, Senators Express Concerns over China's "Debt Trap" Diplomacy with Developing Countries' 2018)

(Hirschman 1977; Hirschman 1988; Singer 1950). Singer's observations concerning the source and nature of external capital foreshadow similar lines of argument from Cardoso and Faletto in their seminal discussion of enclave development and the external origins of finance made later (Cardoso & Faletto 1979). Singer wrote:

> Could it not be that in many cases the productive facilities for export from underdeveloped countries, which were so largely a result of foreign investment, never became a part of the internal economic structure of those underdeveloped countries themselves, except in the purely geographical and physical sense? Economically speaking, they were really *an outpost of the economies of the more developed investing countries*. The main secondary multiplier effects, which the textbooks tell us to expect from investment, *took place not where the investment was physically or geographically located but (to the extent that the results of these investments returned directly home) they took place where the investment came from*. I would suggest that if the proper economic test of investment is the multiplier effect in the form of cumulative additions to income, employment, capital, technical knowledge, and growth of external economies, *then a good deal of the investment in underdeveloped countries which we used to consider as "foreign" should in fact be considered as domestic investment on the part of the industrialized countries.*

Singer's emphasis on locating where value is created from investment and where it is stored, as were Cardoso & Faletto's later application of this notion to a set of specific cases, is relevant for thinking about dependency in relation to contemporary finance and tracing the accrual of profits through financialization and where they are held, and whether they generate any broader productive linkages.

In an analysis of development financing between aid, public-private partnerships (PPPs), sovereign funds, and multilateral, regional and national development banks (DBs), UNCTAD concluded that for recipient nations, aid in the form of official development assistance and development banks and public finance more generally have the greatest development potential (p.167) but are sorely lacking. Sovereign wealth funds were found to be not invested in support of development (p.166) and PPPs were treated with caution because they failed to create additional finance, but rather often played with accounting procedures to cut fiscal spending in the short term while creating large fiscal liabilities in the long term (p.163); other scholars have come to similar findings (Trebilcock and Rosenstock 2015; UNCTAD 2015; Van Waeyenberge and Bayliss 2017).

In a world in which pure ODA grants and concessional lending are shrinking and harder to access, capital intensive long term investment in infrastructure has not been readily accessible to developing country governments for the past two, and in some cases, three decades. As Robert Wade points out, no countries but a few have made it to 'developed' status, and for the rest, the neo-developmentalists call for self-financing has not been historically achieved by any country since the first wave of 19th century industrializers. The neo-developmentalist call for self-financing overlooks the huge gulf between post-WWII 'emerging' late developers which received either generous terms of Bretton Woods lending, Cold War aid, and/or are large and populous enough to mobilize domestic resources and sustain large internal markets (i.e. BRICS) vis-à-vis much later and smaller developers and particularly peripheral post-socialist regimes which were not part of the 20th century Bretton Woods regime. For countries such as Laos, external finance has always been part of the picture. Thus, PPPs and SWFs may not be the first best option, but from the perspective of Lao officials I interviewed, they presented the best option *available*.

The rise of non-OECD aid and development finance in its numerous forms has exploded in the last decade, and along with it a wide literature discussing 'credit-coordinated' policy and commercial lending (Chin and Gallagher 2019), new southern-controlled multilateral banks (Wang 2019), sovereign funds[29], new wealth mechanisms (Acharya, Khandwala, and Oncu 2013), and new forms of blended finance and south-controlled multilateral liquidity[30]. Some have referred to the rise

[29] UNCTAD 2015, ibid.
[30] Grabel (2019) ibid.

of non-OECD lenders as ‘rogue aid’ which mixes commercial, policy, and geopolitical objectives into lending (Naím 2007) while others argue that Chinese development finance is no better, worse, or different to what came before (Brautigam 2009).

The ability of some southern states which were only recently recipients of OECD aid to become wealthy enough to become donors and set up their own development finance funds speaks to the polarization of the south. It also speaks to asymmetries in the south between late-late developers and very late developers which are becoming exacerbated *through* development finance relations. Transnational corporations (TNCs) which brought modern industrial production to certain post-WWII developing countries and helped them integrate into the international capitalist system through dependent development(P. B. Evans 1979), have been substituted by construction and engineering firms concentrated in the infrastructure and energy sectors from other developing countries which bring their own labour and technology through tied procurement contracts as part of bilateral sovereign-to-sovereign development finance packages which also work to promote the ‘go out’ strategies of lending country ‘national champions’ (Ch.5).

This is the new reality of south-south engagement. It forms part of the legacy of re-structuring and privatization after the Asian Financial Crisis, as ‘national champions’ from developed and middle income countries globalize and expand into southern markets seeking profits. They include Thai and Malaysian firms alongside larger and more well-known cases from the BRICS (Kurlantzick 2016; Liebman and Milhaupt 2015; ed. Nolke 2014; Pananond 2008). They vary from central to local state ownership, from partial state control, to fully privatized multinationals with significant policy support from the state (Musacchio and Lazzarini 2016; Li, Cui, and Lu 2014). China's 16,000 multinational enterprises established 22,000 foreign affiliates in 179 countries and territories by the end of 2012 (Sauvant and Nolan 2015). Despite what the literature on comparative capitalisms might say, some re-structured firms, taking the case of South Korea, operate with similar profit-seeking, short-termist, shareholder-driven corporate values as their OECD counterparts and partake in the same patterns of speculative rent-seeking (Jeong 2014).

It becomes clear then that polarization in the developing south entails state capitalism on the part of more well off countries and their related agencies, firms and officials in the private and public sector, working in coordinated and sometimes incoherent manner, to further their own goals and self-interests with and within lesser developed countries. Brazil's neo-developmentalism under the Lula and Rousseff periods also coincided with Brazilian state capitalism, which as an example, helped to promote Vale, a former SOE turned Brazilian MNC, into one of the largest, shareholder-driven mining giants in the world. It raises the question, from a southern perspective, of neo-developmentalism for whom? Which southern states will be able to exercise enough policy space to realize and capitalize on their advantages to move up the ladder and change global rules in their favour? What advantages allow for neo-developmentalism and what about the rest?

For countries like Laos in the global economy, constrained access to favourable lending terms, onerous and lengthy terms to dwindling pools of OECD ODA coupled with geopolitical solicitation, diplomatic pressure, and expedient access to fast financing from Asian state-backed firms and banks have placed it between a rock and a hard place while giving the illusion of expanded choice.

More recent work by political economists and macro finance scholars are starting to echo what Cardoso and Faletto said back in 1979, that developing nations are much more constrained by global markets than their wealthier counterparts, both within the South and the North (Gabor 2018b; Kouparitsas 1998; Mosley 2003; Murray and Overton 2016; Wibbels 2006). Scholarship on shadow banking within and outside the OECD point to a shift and convergence towards market-based finance with gloomy implications for developing countries (Awrey 2015; Gabor 2018a; Acharya, Khandwala, and Oncu 2013). Gabor pessimistically writes:

> The incentives are for MDBs to increasingly turn to private sector loans that can be fed into opaque synthetic securitisation deals. MDBS will struggle to create the range of returns institutional investors seek through true-sale securisation of their public sector loans, given the preferential terms and special nature of MDBs' relationship with sovereign borrowers. China just announced that it would join the global race to securitise infrastructure loans to solve the Belt and Road financing gap, while the Trump administration approved a new bipartisan push to increase US foreign aid into infrastructure projects. The geopolitical struggle over the Global South will be fought on the terrain of securitisation markets, with little hope for scrutiny and accountability from other developmental actors'(Gabor 2018b)

Murray and Overton echo this pessimism with less emphasis on securitization and its dangers, and more emphasis on the implications for poor countries of living in a context of formal diplomatically-explicit geopolitical self-interest all around, no longer ameliorated by the norms of the Paris Declaration:

> (T)here has been an explicit shift away from the principles of the Paris Declaration to a new situation where self-interest of the donors is explicitly pursued. We strongly recommend that work on the loss of autonomy and sovereignty among recipients in the light of these new developments is undertaken…Aid has never been altruistic, to believe so would be naive. However, it has rarely been so directly constructed in the favour of the donor than under the current regime…Aid as a concept has rarely been so far away from what was intended in its formative years and as a process it has never been used as a smokescreen quite so cynically as today… As it stands, aid has entered the global capitalist system as yet another means of the dominant core extracting benefits from the periphery in ways that further perpetuate the asymmetry of global political economy and society.

The domestic reformist agenda advocated by neo-developmentalists as a call for southern countries to 'put their houses in order' by getting serious about heterodox policy reform and self-financing of public goods and services is, normatively, one I support. However, in a world of over-accumulation and global imbalances, embedded hierarchies within the global financial architecture, and economic and political constraints baked in for least developed countries, a renewed 21st century dependency perspective in the face of geopolitically aggressive and financialized state capitalism is required for those with a view from the bottom of the ladder. The global 'south' and the countries that comprise it are polarized, while at the same time being drawn into the same systems of market-based finance. Traditional OECD-DAC principles and aid are becoming marketized as very late developers are migrating towards outward investment and lending from other southern, non-OECD actors who offer available, fast financing, with questionable liabilities. Building and widening study into the various cases, facets, typologies and dynamics of proximate dependency - and the erosion of autonomy and sovereignty which accompany it- will be vital, as Murray and Overton note, for those most constrained and in need of assistance.

Table 1.1 - **External Partnerships and Level of Government Agreements by Period**

Period	**Post-Independence (1975-1989)**	**Reform Era (1990s- early 2000s)**	**Post Reform Era (2000 onwards) – 'Golden Decade'**	**Non-DAC Bilateral Intensification- 'Diamond Decade'**
External Partners	-CMEA (Soviet mediated) -IMF	-Multilateral Banks -DAC Donors -International NGOs	-Regional Private Investment* (majority state owned)	-External Asian EXIM Banks (China, Korea, Thai)
Main Level of Government	Central-level agreements Relative provincial autonomy	Provincial-level agreements (under state-directive)	Central-level agreements	Central-level agreements

1.3 Case & Research Design

Case selection

With regard to case selection, as a former communist country, Laos displays a different pattern of state formation to capitalist states in East and Southeast Asia. It is also a late developer at a much later temporal point in time than its post-WWII regional counterparts. Laos began regional and international market reform in the late 1980s. It has historically displayed patterns of state weakness and underdevelopment as a former French colony and has had changing external actors. It was chosen as a case of very late development from which to study the interaction of a very late developing and transition countries in the international system. As an Asian 'very late' developer it allowed for comparison and contrast with the wider universe of state development cases. As an authoritarian state and a mainland Southeast Asian / Mekong state, both the regime type and geographical area have remained vastly understudied in Political Science, offering an innovative opportunity to add to the diversity of historical experiences studied.

Variables

Taking external international actors as an independent variable and the Laos' poor development outcomes as a dependent variable, I try to illustrate how Laos' shifting external relations with changing actors results in a relationship of asymmetric dependency discussed in Chapter 5. Lao national elites subordinate public interest to the foreign policy interests of an external actor; economic advantage is converted to political leverage. I make causal inferences in Ch. 3 and 4 about the pathways which allow for the entry of small then large scale regional investment and the mechanisms and devices which facilitate their entry and subsequent growth. In both instances, pre-existing OECD-DAC actors installed institutional devices which allowed regional investors entry and to expand cross-border concession holdings. I offer a historical explanation using theories at each step of a historical process to show how the variables made subsequent steps and the outcome likely under historical circumstances (Roberts 1996). Here, I explain a shift in dependency from post-colonial to OECD-DAC to new non-DAC bilateral donors, showing how the entry and pathway for regional investment is laid by tools of legibility and new financial ownership structures.

Design & Ethnography

I initially began with a research question which asked what accounted for missing developmental outcomes in the face of increased resource-export revenues and access to finance in contemporary Laos. Attention to the micro-level was required, using ground-level techniques: structured and semi-structured interviews, social and territorial mapping, and collection or visitation of primary documents. I conducted semi-structured and structured interviews with elites and non-elites across eight different ministries; snowball-exposure, social mapping and interviews with other related actors (domestic and foreign hydro-industry experts, domestic and foreign researchers, ordinary citizens, diplomats, and non-governmental representatives), and site visits of three rural communities, alongside sustained exposure and improvisational participant observation in public institutions, official and unofficial meetings, events, and informal gatherings and spaces which gave rise to insider meanings. I was embedded in a Lao public university as a condition of research and funding access by the Lao and US governments (more in positionality). The use of ground-level techniques facilitated process tracing, linking independent (external actors) and dependent variables (development outcomes). I also examined secondary literature (newspapers, periodical accounts, government documents and policy reports).

I build across the chapters of this thesis and the inductive claims made can be tested in the same case with rival data, or in a comparable case through theory-testing and application of my central claims concerning asymmetric south-south development finance and its regressive outcomes through financial pathways. With respect to the internal and external validity of political ethnographic and participant observation, truth claims and interpretive approaches, the inductive claims made based on these observations and interview data can be tested and/or triangulated with corroborating or contradicting data, and are also open to interpretation and criticism. I have documented and coded interview data with relevant dates and locations representing space, time and exposure, but anonymized personal information for the benefit of informants.

I completed methodology training in the government department but additionally audited and enrolled myself in a semester-long fieldwork seminar in the LSE anthropology department and an additional anthropology course studying fieldwork cases prior to in-country data collection. I did not have prior knowledge or experience in Laos before my preliminary research visit, nor did I know anyone in the country prior to making formal overtures to the university by email.

Exposure and Positionality

Given the climate of silencing, censoring and coercion which operates in Laos, particularly in the timing of my arrival a few months after the enforced disappearance of a community organizer, intensive participant observation and reflexivity was vital to ascertaining how people behaved, what they communicated in what they did and didn't discuss, and the drawing of comparison between what was happening in the surrounding context juxtaposed with my own observations, followed by the iterative process of re-framing and re-asking questions or shifting perspectives with the natural evolution of prolonged and sustained ethnographic exposure over several months.

I made three research visits (see further in 'data collection and methods' section) as a doctoral researcher in 2012; a visiting US-affiliated scholar from 2013-2014; and as an independent doctoral researcher not affiliated with any in-country institutions in 2016. I was better served in terms of positionality when I was no longer affiliated with the US government, US embassy, national university of Laos, or Fulbright program in conducting interviews in 2016 vis-à-vis 2013-2014. It was only after my extended immersive in-country exposure as a Fulbright researcher in Laos when I had exited the situational context of fieldwork and returned to the UK that I was able to reflect on and realize the specific ways in which institutional and social embeddedness – as a condition of attaining permission to conduct in-country research in Laos and as a condition of attaining US congressional research funding- had presented social, logistical, and bureaucratic constraints to research. On my own part, I had also exercised a great deal of care and restraint while wearing the official US/Fulbright/NUOL 'hats' of identity, erring on the side of caution for potential informants and in deference and respect to my hosts while carrying out research in an authoritarian context which, in hindsight, was self-constraining and restrictive because it allowed the administrative and bureaucratic wait for research clearance to delay and in some cases prevent engagement. I may have been overly cautious and followed the official rules too closely, for fear of the unknown, which was not conducive to the kinds of spontaneity and improvisation which sometimes lead to unexpected data. My positionality as a doctoral researcher visiting from the UK in 2016 was perceived to pose less of a threat to prospective interviewees versus that of an in-country visiting-researcher affiliated with both a national institution and a foreign diplomatic mission, which created wider networks of surveillance (well-meaning and otherwise) and liability. However, in the end my sustained year-long exposure made possible by the Fulbright residency, along with basic proficiency in the local language and fluency in Thai, a neighbouring language familiar to many

Lao, allowed me to cultivate trust, relational networks, friendships and deep, sustained, immersive ethnographic observations which helped me to quickly navigate and attain further data in my follow-up visit.

I utilized the extended case method[31] while in fieldwork which generated insights which allowed me to generate and test internal hypotheses and pursue a re-framing of the project towards theory building and historical explanation. I triangulated primary interview data with secondary historical and policy data outside of the field between research visits. I drew observations and conclusions that frame some of the responses by officials within the framework of a dependency.

Data Collection and Methods

Primary and secondary documents, reports, and media sources from local and international outlets were collected alongside the gathering of unstructured and semi-structured interviews and significant ethnographic participant observation in public institutions, official events and informal gatherings and spaces.

I made three research visits: a short preliminary visit to Vientiane in the summer of 2012 to establish institutional links, partnerships and contacts (I visited the national university via a US embassy representative who I reached out to via email); an extended 14 month visit from the summer of 2013 to autumn of 2014 under a US Fulbright research fellowship with an institutional affiliation as a visiting scholar in the Faculty of Business and Economics at the National University of Laos; and a two-week follow-up visit as an independent doctoral researcher in the late summer of 2016. In-country fieldwork was carried out in four regions from August 2013-September 2014 in Lao PDR; in Bangkok in September 2014 and in Bangkok, Vientiane, and Luang Prabang in September 2016. A list of interviews can be found in the Appendix. Un-structured and semi-structured elite interviews were conducted in the capital city of Vientiane with officials representing eight different ministries (codes D1 – D8). Unstructured and semi-structured interviews were carried out in three separate regions: Luang Prabang (code VA) in September 2013, outer Vientiane Province (VC) in December 2013 near Baan Pako, and in the southern province of Savannakhet (VB) in April 2014. Outside of government officials and villagers, interviews were taken with foreign diplomats (FM), foreign researchers (FRS), domestic informants (DI), foreign informants (FI), domestic (DH) and foreign hydropower (FH) company officials and foreign NGO workers (FNGO). Laos does not allow domestic NGOs but does allow non-profit associations (NPA) which are officially vetted and allowed permits; given political sensitivities I was a participant observer in NPA events but did not carry out any individual interviews (See Ch. 5). I conducted the interviews myself in a mix of basic Lao, Thai, and English.

The resulting data is a rich ethnography of state elites who occupy positions with the ability to influence macropolitical outcomes through their decisions and actions. Observing and learning about how they view development, what it constitutes and how they interpret collective goals and objectives provided rich insight to a liminal demographic who shape Laos' developmental or dependent trajectory. Their views strikingly contrasted with those of foreign officials, diplomats, researchers, firm representatives and domestic villagers and workers. Central officials' lives are composed very insularly of their work teams and families; outside of official duties, very rarely were they to be found outside of work and home or in venues where they would socially mingle with foreign actors. They shop locally, eat at home, tend to their plants and their social lives are packed with work and family related gatherings.

Notes were kept on paper rather than electronic records. I travelled by motorbike through several monsoon-filled potholes and not carrying electronic devices made me stand out less in public.

1.4 Thesis Structure & Chapter Summary

In this chapter I have located both my empirical puzzle and my explanatory framework in the context of approaches to the study of political economy. I laid out my argument in two stages. First, I laid out the paradox of increased access to development finance and lack of emancipatory development outcomes and discussed how my research design sets up a political ethnographic and historical process tracing approach to explain these outcomes. Second, I argued that these outcomes can be explained with regard to the role of changing development finance regimes and differential temporal access to lending under each regime. Early mover historical advantages have become amplified in the move to finance-based capitalism and allowed asymmetric relations *between* Laos and wealthier developing country creditors who engage in exploitative development finance relations which are underpinned by financialized motives. Institutional reforms implemented by the OECD-DAC regime during the transition period have enabled the entry of later Asian regional investment.

There are several implications that arise from this work, however I will focus on three. First I would assert the need to take more seriously differentiation between south-south cases and the role of state capitalist outward investment in constraining development and state autonomy in poorer countries.

Second we need to take the role of financial globalization more into account in understanding the invisible mechanisms and drivers of dispossession and maldevelopment. Given an international political economy marked by global imbalances, deflationary trends and commodity-import slowdown in China, it will be harder for some developing countries to export their way into self-financing of development, the call for self-financing by neo-developmentalists is relative to structural positionality within the global architecture and speaks to relative privileges enjoyed by some larger 'emerging' developing countries over others. The implications of this is that 'flying geese' and 'dependent development' models of capitalist integration via the manufacturing-led product cycle will be replaced by the global financial cycle as financial pathways replace trade and production. The poorest nations will be unable to self-finance, and be integrated into market-based finance systems through the financialization of their public goods into returns bearing assets.

Third, I demonstrate in later chapters that an understanding of the rise of non-OECD actors in lending vis-à-vis OECD aid needs to be historically and ethnographically grounded in recipient nation experiences if we are to understand current perspectives, practices and strategies and how they shape wider geopolitical trends.

The following chapters form part of a larger evolution. They tell a small country's attempt to gain power for itself while being co-opted unawares by more powerful neighbours. Chapters 2 and 3 discuss how Laos started out from weakness and coming from behind at the end of the Cold War. Chapters 4 and 5 demonstrate how wealthier developing countries use their strengths to constrain the autonomy of poorer developing countries through finance and the leveraging of economic vulnerability into political gain.

Chapter 2 gives a background overview of pre-Republican history from the pre-colonial period to the end of the second Indochinese war. I apply Tuong Vu's state formation politics framework to the historical analysis and discuss how national reconciliation and potential elite cooperation after the 1954 Geneva Accords moved to elite polarization through the intervention of external actors in domestic political affairs. I argue for the significance of external factors as a significant independent variable which is played down in Vu's framework. The chapter illustrates how indigenous elites formed a proto-nationalism which was based on anti-colonialism. Ultimately the chapter demonstrates how Laos emerged from the second Indochinese war a very structurally weak and underdeveloped state having developed severe social underdevelopment through the use of corvee under French colonial rule and the devastating wreckage of war, violence and bombings in the second Indochinese conflict.

Chapter 3 marks the beginning of the re-alignment of Lao state elites to external private interests. It discusses two seemingly unrelated but parallel strands. I engage Michael Mann's distinction between infrastructural and despotic power to discuss how both strands carry out infrastructural functions for the weak central Lao state and enhance its despotic power as an outcome.

Chapter 4 introduces the government's shift from small to large scale concession projects. Bretton Woods institutions intended to further a public-private-partnership (PPP) agenda; they instead paved the way for the expansion and deepening of financial markets in the name of development led by Asian emerging country multinationals and supported by their home governments eager to transform 'national champions' into international powerhouses.

Chapter 5 illustrates how Laos' biggest foreign investor silently cultivates diplomatic clout in matters of diplomatic and domestic affairs. When the business or foreign policy interests of Laos' external donor clash with local or national interests, Chinese firms or their intermediaries 'court the centre' to supersede local laws and interests. Chinese interests now forum shop upwards to the commanding heights of the state, relying on the allegiance of autocratic elites to enforce external interests at the expense of local public interest.

Chapter 2

Historical Background

Lao 'Apprentice Revolutionaries' & the Unlikely Road to Power

Lao history in the pre- and post-colonial period has been consistently marked by external threat, invasion, and constraints imposed by outside powers. The revolving door of external interventions in Laos make it a particularly interesting case to study the influence of international politics on the formation of the state as well as on domestic social and political groups.

Writings on Lao culture and politics by 20th century Western scholars have commonly portrayed Lao agrarian society, its ethnic minorities and state elites as exhibiting not only a low level of development, but the society as a whole as a 'gentle and complaisant' (Brown & Zasloff 1986, p.130) backwater and backdrop for the power politics of the day.[32] Constraints on Lao agency and development have been attributed less to endemic invasion and colonial extraction than to the cultural attitudes of its inhabitants. A typical example from this selection reads, '…those who know Laos recall how happily – indeed joyfully- the Lao peasant seems to adapt

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[32] A further articulation of this in the context of American statesmen and press during the Cold War and its impact on US policy in Laos is the premise of Seth Jacobs' *The Universe Unraveling: American Foreign Policy in Cold War Laos*. Jacobs asserts, '…many American politicians, journalists, and opinion leaders wrote and spoke about the Lao with such poisonous antipathy that no expression save racism will suffice to describe it' (Jacobs 2012, p.14).

to his simple circumstances' (Zasloff and Brown 1991). Another example astutely highlights the improbable features involved in Laos' entrance to the modern state system:

> There was never a less promising society in which to conduct a communist revolution. The three million population were divided ecologically and ethnically east and west and by levels of the mountainous terrain. Settled agriculture was the mode of living of only about half of the population. What few urban groups there were were largely expatriate. The ruling groups through whom the French and the Americans operated were by and large local hereditary figures made into princes and ministers and enjoying their wealth and power largely thanks to their external patrons. Similarly for the communist leaders…outside support was as crucial as attempting to mobilize internal followers (Taylor 1987).

How then, did a spatially fragmented, diverse, and economically underdeveloped peasant population come to be mobilized and organized into a mass movement for long-term anti-colonial struggle and liberation? How were the few and divided elites- who were 'by and large local hereditary figures' courted by foreign powers, able to navigate past attempted colonial restoration and military bombardment to attain recognized sovereign independence? What costs did the struggle for independence exact on the country which emerged in 1975 and its subsequent development path? What impact did protracted internal and external struggle for autonomy have on state structures, mass and elite cohesion, and the country's development future?

This chapter provides historical context for the rise of the Lao People's Revolutionary Party and establishment of the Lao People's Democratic Republic in 1975. Traversing the pre-colonial, colonial, and anti-colonial periods, it discusses the ways in which changing external actors fomented, shaped, supported or attacked indigenous forces- but also how these Lao elites and peasant forces were sensitized to new associations and purposes through war to socially mobilize behind their own cause.

The first half of the chapter discusses the rise and adverse influence of the French colonial period with regard to state-building, social, and economic development. In just under a hundred-year period from the late 19th to 20th century, the former 'Kingdom of a Million Elephants' and its tributary areas were subjugated to the direct colonial administrative control of the French empire, which further positioned the territory and its peoples asymmetrically within a contiguous federal unit named French Indochina from 1893 – 1954. French colonial labour importation from neighbouring Vietnam to Laos to staff the colonial bureaucracy and work the tin mines placed constraints on the development of indigenous entrants into civil service; widened the disparity between town and country; and alienated the indigenous peasantry. French imperial control exacted an onerous tax burden on the whole of Laos but this was most unevenly shouldered by ethnic minorities whose value added was not reinvested back into local infrastructural or institutional development. The French left behind a legacy of ethnic and spatial inequality, elite social and political division fomented through protracted anti-colonial struggle, and severe structural weakness in the form of economic and institutional underdevelopment. Native elite divisions sown in the struggle for colonial emancipation fostered asymmetric dependencies on neighbouring Siam, Vietnam and China which would lead Laos to become both politically submerged in the wider geopolitics of the Cold War and the disparate interests of external parties, and to become the key battleground for the international Cold War in Southeast Asia.

The second half of the chapter discusses how, having emerged from French colonialism as Southeast Asia's least literate society and one of its poorest, the late developer was then plunged into continual, devastating war by the machinations of outside actors in the politics of the Cold War and the Second Indochinese conflict.

The ‘apprentice revolutionaries’[33] of the Lao communist party, trained by Vietnamese communist advisors, were also joined by a wider cross section of native elites and statesmen as well as growing popular support in the second Indochinese conflict- forming a mobilized native movement for independence in their own right. However, by the second Indochinese war’s end, the internal extremities fostered by two decades of polarization, asymmetric dependence of native elites on outside powers, and the wider international context of partitioned ‘curtain’ politics made socio-political reunification of two systems under one roof untenable. Two decades of civil conflict and submerged political autonomy had demonstrated the inability and unwillingness of external actors to allow Laos to nationally reconcile on its own terms or to occupy a ‘non-aligned’ status on the global checkerboard.

The historical analysis of the aborted attempts at coalition government between the Vietnamese-backed pro-communist Pathet Lao and US-backed anti-communist Royal Lao forces engages with Tuong Vu’s heuristic schema for comparing state formation politics in Asia (Vu 2010). Vu contends that variation in developmental outcomes- specifically defined as the cohesiveness of state structures- in selected Asian states can be attributed to different ‘permutations’ of intra-elite and elite-mass relationships in the course of state formation politics. Vu’s framework argues for analytic focus on native elites and how they relate to each other – whether they practice *unity*, *compromise*, *polarization* or *fragmentation* – and how native elites engage with indigenous masses, either to *incorporate*, *suppress*, or organize them through ‘*controlled mobilization.’* (Vu 2010, p.1-24). Vu takes pride in the

[33] ‘Apprentice revolutionaries’ originates from the book-length study of Lao communist political struggle of the same name by MacAllister Brown and Joseph Zasloff (1991); Brown & Zasloff’s language and depiction of Lao native elites throughout places them subordinately as novice or trainee revolutionaries vis-à-vis Vietnamese communist party organizers; this study, while acknowledging the presence of outside advisers, leaves more room for native elites in their agency and decision making, particularly during the post-WWII and first coalition periods.

attested ability of his framework to include socialist cases and to compare them with capitalist cases of Asian state formation. Though Laos is not one of Vu's original six cases, his framework is notionally applied and tested in the Lao historical context discussed in this chapter; it operates in the background to test for validity and just how inclusively the framework 'stretches' when the universe of cases is expanded to include a further Asian socialist case. While Vu's framework draws attention to the importance of ideological, historical, and sociological factors, it downplays the importance of foreign intervention and the sociological actors within his framework are restricted to endogenous actors . The Lao case is complex as 'native elites' were often replaced, and new elites anointed by outside powers in line with their own interests as will be discussed. The American CIA acted not only to orchestrate the expulsion of native elites who attempted to negotiate reunification through compromise, but actively managed the anointing of pliant native elites to replace popularly elected elites, in order to polarise elites and bring about the annihilation of anti-communist indigenous forces as the only acceptable outcome within its foreign policy. The drivers for shifts from fragmentation to compromise to polarization and repeatedly blocked compromise in the Lao case, originate from outside as this chapter will show.

The historical discussion of the Lao case suggests that dependent relations did not arise from conditions of underdevelopment, as the colonial 'civilizing' narrative would suggest, but rather that exploitation and relations of underdevelopment were first imposed by the colonial French administration, and then sustained and transformed by further dependent relations on outside actors in the struggle for colonial emancipation. The nation state, which joined the Westphalian system nearly a hundred years after the decline of the Lan Xang kingdom, emerged socially and politically divided, possessing ‘wobbly’ governance structures as predicted by Vu’s schema, and with less de facto authority than the dynastic sovereigns who preceded them a century earlier.

2.1 Pre-Colonial to the Early Colonial Period: The ‘Million Elephants’ of *Lan Xang* Kingdom to French Colonialism

Warring Mandalas

The popular promenade and banks of the Mekong river in the contemporary Vientiane capital takes their name from the 14th century ruler, Prince Fa Ngum, of the kingdom of Lan Xang (Million Elephants). A number of prominent street names, landmarks and historic areas in the contemporary capital continue to draw from the fourteenth to eighteenth century glories of the Mekong dynastic period; key roads and streets are named after Fa Ngum’s progeny, Chao (king) Sam Sen Thai and later Chao Anou. One may speculate that the historiography of national myth creation in modern Laos draws from the age of warring Southeast Asian dynastic kingdoms (mandalas) in the naming of contemporary landmarks and urban geography, as the pre-colonial period marked the last vestige of ethno-autonomous glory before a protracted period of struggle against European and later US domination.

In an era of marauding empires, Fa Ngum expanded his rule from his capital in what is now present-day Luang Prabang, in the mountainous central region of contemporary Laos, eastward to the Annamite Mountain watershed (contemporary Vietnam), south towards the Khmer and Cham civilizations (Cambodia) and west over the Khorat Plateau (Thailand) forming the Lan Xang (‘Million Elephant’) kingdom in 1383. Lao and Chinese sources note that Luang Prabang in that time paid tribute in the court of Peking during the Ming dynasty and received imperial Chinese envoys in kind (Gunn 1988, p.5). Theravada Buddhism, similar to the principle of divine right of kings within European monarchies, held that the lords, kings and rulers of feudal Mekong Asia had accrued the darma (religious virtue or good merit) to rule and propagate acts of religious virtue as a Dharmaja; the devout Buddhism behind feudal rule led to the building of ornate wats (temples) that became the central spaces of community life and education in lowland Laos, while non-Lao inhabitants of the Lan Xang kingdom practised animism and the worship of natural spirits (phi).

By 1473 Vietnamese forces had crossed the Annamite mountains to challenge the Lan Xang kingdom, and attacked Luang Prabang, pushing the kingdom to forge closer relations with the rival Siamese kingdom. It had already lost the vassalage of Chiengmai and Sukothai to the Siamese as well as influence over northern Xieng Khoung and the Twelve Tai Cantons (Sip Song Chau Tai) which moved into Vietnamese orbit. By 1563 the capital of Lan Xang had moved south to Vientiane on the Mekong in an alliance with Siam for protection against Burmese domination. Under the reign of Souligna Vongsa (1637-1694) the Lan Xang kingdom experienced its golden age and the apogee of its territorial power, stretching west across the Khorat Plateau into what is today modern central Thailand and east over the Tai cantons, stopping south just before the border with present day Cambodia at the Khone falls.

From the beginning of the 18th into the 19th century however, the Lan Xang kingdom began to decline. The end of Souligna Vongsa's reign and the succession period opened the kingdom to Vietnamese suzerainty after Vongsa's nephew was installed in 1700; Vongsa's grandson escaped to Luang Prabang in 1707 to proclaim a renewed independence from Vietnam. However, by 1713 the southern princedom of Champassak separated from the kingdom to join Siam. The symbol for the Lan

Xang kingdom – a three headed elephant standing over a white parasol – had stood for the unification of the three ancient kingdoms of Vientiane, Champassak and Luang Prabang with the parasol symbolizing Mount Meru, the sacred centre of the universe in Buddhist cosmology. By 1778 however, the three kingdoms had separated and Vientiane was occupied by Siam, turning the Kingdom of Lan Xang into a vassal state of the Siamese. Military confrontation by the king of Vientiane against Siam in 1820 resulted in the destruction of the capital by 182, 8 and the removal of the sacred religious relic the Emerald Buddha to the Siamese capital (present day Bangkok), a sore historical point which has lingered through centuries since.

European inroads into trade with China in the 19th century soon turned into further expansion into the Mekong region. By 1858 French missionaries, explorers and military forces had moved from China's southern rim into Vietnam, resulting in 'protectorate' status being extended to southern and later central and northern Vietnam and the annexation of both Vietnam and Cambodia shortly thereafter in 1863 (Boupha 2002, p.2).[34] Worried by French developments in the region, the Kingdom of Siam dispatched forces to the northern territories of Xieng Khouang, Sam Neua and the Twelve Tai Cantons which rejected the Siamese and swore allegiance to the Vietnamese kingdom; in doing so they became part of France which had inherited Vietnamese rights throughout the region (Brown 1986, p.5). France revived Vietnamese claims to the Mekong River valley which had traditionally been central and southern Laos and part of the Lan Xang and Siamese kingdoms. The French further established a consulate in Luang Prabang, the royal capital of Lan

[34] For further regarding Sino-Vietnamese relations and territorial history in this period, see (Vu 2013).

Xang and vassal state of Siam by that point. Chinese forces descended upon Luang Prabang to challenge the authority of the Siamese Kingdom; as the Lan Xang royals became trapped between Chinese invasion and Siamese tutelage, Auguste Pavie- an enterprising French consular appointee- managed to persuade King Oun Kham of Luang Prabang to reject Siamese suzerainty in favour of French protectorate status to which the king agreed, ensuring safe passage and protection for the royal family. The French soon expanded their efforts southward into the eastern Mekong river valley. The Kingdom of Siam and France subsequently went to war over the Mekong river valley territories culminating in the Paknam showdown of 1893, when French naval warships entered the Siamese capital of Bangkok and delivered an ultimatum to forfeit the eastern Mekong territories or face French forces.

This expansion of French colonial authority eastward came to have two consequences: it solidified the boundaries of what is now Laos and definitively rebuffed Siamese claims to these regions. The British in Burma advised the Kingdom of Siam to acquiesce to French claims to protect their own interests further west of the Mekong. This left Siam as a buffer state between the two European powers via a joint French-British treaty in 1896 guaranteeing Siamese independence and renouncement of Burmese claims to the now French-ruled Mekong valley. While Siam achieved formal buffer state autonomy, Laos became engulfed between Vietnam and Siam as part of the new French Indochinese empire, founded through the Franco-Siamese treaty of 1893.[35] The sting of territorial loss and political diminishment into protectorate and colony status would be long felt amongst the Lao. Nearly sixty-five years later in Washington D.C. in 1958, at the start of the

[35] For further on post-colonial Lao national territoriality, its incongruence with ethnic communities and the principle of *uti possidetis,* see Vongsay Kithong 'La Formation de l'Etat Laotienne', PhD thesis, Touluse 1967.

American ‘clandestine war’ in Laos, Prince Souvanna Phouma would make an appeal to US Secretary of State John Foster Dulles for US financial assistance to recover territories occupied by the communist Pathet Lao forces on precisely the grounds that the dismemberment of Laos by the French and the Thai had made further territorial losses to the Democratic Republic of Vietnam unacceptable (Phraxayavong 2009, p.71).

2.2 French Colonialism & Underdevelopment

French colonial rule was administratively uneven, brutal and varied across the Indochinese Union. What is clear in hindsight is that Laos, in comparative Southeast Asian colonial perspective within and beyond the Indochinese union faired significantly worse than its counterparts with regard to social, bureaucratic and economic development. Its indigenous peasant and ethnic minority populations suffered brutal, violent and oppressive corvée conditions and shouldered a disproportionate share of contributions to the financing of the colonial state. Laos was placed into a subordinate position to meet the needs of the French metropole and the colonial apparatus, as well as within the Indochinese Union. Indigenous and official criticism and communication concerning Laos were pushed underground or communicated via the press in the colonial headquarters of Hanoi because they were restricted from having a press of their own. Oudone Sananikone, who went on to become Chief of Staff of the Royal Lao Army and the Last Under Secretary of Defense in the Royal Lao Government prior to communist ascent in 1975 recounts in his memoir:

> “As a student in the French High School in Vientiane I learned about French devotion to *liberte*, *egalite*, and *fraternite* but observed that this honourable tradition did not apply outside the school room. For example, as in the rest of Indochina, the common means of transportation was the pedicab, a three wheel cycle; in the Vientiane version, the passenger sat on an open

> seat beside the driver. It somehow exceeded the French sense of *liberte* for a Lao to sit comfortable with his legs crossed while being pedalled across town – and this offence would bring a clout on the head from the French gendarme." (Sananikone 1983, p.3-4).

Accumulated underdevelopment and mass indigenous resentment under French colonial rule would go on to have a significant impact on the turn of events during the anti-colonial war years, while deeper legacies of social and spatial inequality and state structural weakness would go on to plague the later post-independence national government nearly a century later.

In Laos, the French colonial administrative capital was established in Vientiane along the Mekong river, where the *Resident Superieur* presided over officials who were part of an Indochinese-wide civil service under the authority of the Governor General of Indochina stationed in Hanoi. A directive or *arrete* issued by the Governor General in 1899 established provincial level administration across Indochina, resulting in the creation of eleven provinces in Laos: Vientiane, Upper Mekong, Tran Ninh (Xieng Khouang), Khammoune, Saravane, Bassac, Khong, Savannakhet, Attapeu, Muong Hoa and Houa Phan (Reinach 1911, p. 251 from Gunn 1988, p.29). Early French administration in Laos added a colonial structure over customary rule, keeping in place the traditional *meaung*– the main administrative unit - and the *kong*, outlying districts where non-Lao ethnic populations resided. The *meaung* hierarchy was presided over by a *chaomuong* or local lord answerable to the French commissioner, with below him an intermediate level occupied by tax collectors, and then the bottom of the administrative totem pole. Ethnic minority areas were organized around traditional *baans* (villages) and the village *naiban* (chief), assisted by village *phuuban* (assembly of elders) with groups of villages assembled into *tassengs* (cantons) administered by cantonal officers. Luang Prabang, the royal capital, held special protectorate status and followed the hierarchy of the King's Council (a line of ranking princes, notables and mandarins responsible for tax collection, overseeing corvee labour, public service, military and palace affairs) until it reformed in line with colonial administration in 1927.

In contrast to direct colonial administration in Vietnamese areas of Indochina, Virginia Thompson observed that Laos, 'had administrators but no administration'(V. Thompson 1937, 368–69). This is supported in Vu's account of the French Indochinese presence vis-à-vis other Southeast Asian cases in which he contends that there were roughly 42,000 French in the whole of Indochina by 1937, or 0.2% of the total population compared to the 240,000 Dutch who made up 0.4% of Dutch Indonesia's total population and the over half a million (5.7m) Japanese in Korea who represent 2.6% of the total population (Vu 2010, 107). While French settler colonial presence and state-building efforts may not have been substantial comparatively the Indochinese colonial army numbered 1 soldier for every 852 natives compared to the Dutch average of 1 soldier for every 1,600 natives (Vu 2010, 107; McAlister 1969, 50). The highly developed coercive apparatus of the French colonial state in Indochina was not matched by its efforts in any other areas of economic or social development. More schools were established in the last five years of French colonial rule in a bid by the Vichy regime to curry favour with the native population than had been cumulatively built in the 47 prior years of French imperial rule (Gunn 1988)

Monopoly control over Indochinese commerce directed solely towards the French and protectionist concerns in the metropole translated into little to no industrial development. Here the uneven burdens of the French colonial administration on the shoulders of Lao minorities is illustrative of the punitive influence of colonial rule. The onerous tax *prestation* system put Laos in a class of its own within the Indochinese empire given the prestation's longevity and severity. Local tax farmers were instructed to maximize recovery in cash rather than in kind, with corvée labour befalling those who could not pay their obligations in cash. The policy served to place minority populations in Laos at the forefront of labour conscription, hurrying their entry into the cash economy. The *prestation* system in Laos lasted well into the middle of the twentieth century before being reformed in 1949 after wide resistance following Japanese occupation during WWII. A consequence and intended byproduct of the *prestation* system was that the ethnic Meo-Hmong, one of the most isolated communities in Laos was rapidly incorporated into the monetized economy through opium production. With the French state monopoly in Laos, opium revenues accrued directly to the Federal Indochinese coffers rather than to Laos, supplying one-sixth of the entire Federal budget revenue until the Second World War (Gunn 1988, p.33). In war time, with the falling value of the franc, the colonial state imposed an even heavier tax burden, pressing the Hmong more intensely to meet its budgetary requirements, exposing the coercively extractive and exploitative nature of the Third Republic's 'civilizing' mission.[36]

What little development occurred in Laos under colonial rule was linked entirely to road building and mining, the proceeds of which went to pay for federal and metropolitan interests. Corvée labour was utilized to build roads which facilitated troop movements in and out of Laos to Vietnam and the extraction of raw

[36] Masanori Sako, the Japanese military commander who led the 1945 *coup de force* which ousted the French in Vientiane recounts in his memoir that the Japanese re-designated the colonial tax office as the *Laosu Dokiritsu Junbi Jimusho* (Office for the Preparation of Lao Independence); the posting of the signage on the colonial tax office which had turned into an 'independence office' was met with cries of joy from the local crowd who in their hasty confusion had mistaken the replacement of the French bureau which had swindled them with the new characters for 'independence' (Sako 1960, p.89).

materials, generating primitive capital and the incorporation of resistant subjects into the market. The French monopoly in Lao tin mining was not reinvested locally, but rather was repatriated to Paris as part of personal fortunes and speculative finance.

The dismal state of economic development and state-building efforts in Laos coupled with brutal and onerous resource extraction and road-building burdens to the benefit of the French was mirrored with the little effort spent on education in Laos, producing the weakest outcomes in Southeast Asia. In comparison to the Vietnamese protectorates of Indochina, spending on education in Laos was the lowest at 8.45% of total public expenditure compared with 18 percent for Annam, 15 for Cochinchina, almost 13% in Tonkin and 11.60% in Cambodia (Gunn 1988, p.32). Economic contraction during the interwar years further reduced the Lao education budget by 38%. Colonial officials were aware of the comparatively low level of education and poor outcomes in Laos as historical administrative archival records note that elementary education in Laos was less developed than Siam despite public expenditure in the latter being proportionately less than in Laos (Gunn 1988, ibid). The outcome of French lack of effort to extend and improve the quality of education in Laos was that the country had the highest rate of illiteracy in the region - which corresponded with the modern printing press arriving later in Laos than in any of the other regions of the Indochinese empire. The first newspaper in Laos was not published until 1941 and the number of college educated Lao by the Second World War was less than a dozen (Brown & Zasloff 1991, p.10), consisting of members of the restricted aristocracy groomed in the isolated special Indochinese section of the *Ecole Coloniale*. The disadvantages of French colonial rule were many and felt by many, while the privileges accrued to a tiny select few. Efforts to redress, improve and extend the education system in French colonial Laos to upland

and southern minority areas did not receive renewed attention until the 1940s in response to growing indigenous nationalist sentiment following Japanese occupation and growing Thai irredentist pressure.

Though Laos constituted thirty-one percent of the land area of Indochina, it had only 4 percent of the total population (Pietrantoni 1957, 1–21). Drastic demographic shifts resulted from state-directed migration patterns into colonial Laos. While the French administrative presence was low, they organized and directed large flows of Vietnamese from the Annam labour reserves to meet manpower shortages in the gruelling and miserable mines of Phontiou and Boneng in Laos. Movements of colonially trained Vietnamese bureaucrats were also directed to staff colonial administrative posts; though this group made up less than 2% of the total Lao population, they significantly constituted just under half of the colonial bureaucracy in Laos. Urban areas in Laos were populated overwhelmingly by immigrants, with Vietnamese making up over sixty-percent of the population in six of the ten main urban areas (Zasloff & Brown 1991, p.27). Vietnamese populations made up over 53% of Vientiane, 85% of Thakek, 72.5% of Savannakhet, 62% of Pakse and 72% of Xieng Khouang (Pietrantoni 1957). The overwhelming numbers of Vietnamese in Lao urban centres were a direct outcome of French colonial importation of Vietnamese migrant labour to the mines of the Nam Patene basin, known as the 'death valley' for its unrelenting conditions. An *arrete* in 1935 allowed for the creation of wholesale Vietnamese villages with rules for how to organize notables as intermediaries with colonial authorities. Of 396 Federal administration positions in Laos in 1937, only fifty-four percent were held by ethnic Lao (Gunn 1988 p.32). The influx of Vietnamese civil servants and labourers to Laos served not only to alienate mountain and indigenous populations and breed resentment among ethnic

Lao vying for government positions, the political consequences of colonial labour migration policies would later return to hamper the French during the war-time restoration period. Under early French colonial rule, the *surete* or colonial secret police were more concerned with suppressing Siamese sympathizers and collaborators seen as internal threats to the new colonial order than with developing the native population. As will be discussed further on, tensions and rivalries initially created by French direction of Vietnamese migrant labour populations into Laos were later intentionally stoked by the colonial metropole during the French restoration period to tamp down on communist anti-imperial sympathizers.

While Lao administrators were underrepresented vis-à-vis Vietnamese bureaucrats in the federal colonial administration in Laos, the ethnic and mountain populations of Lao were even less represented, given the urban bias of colonial administration to the lowland plains, and the dualistic *meaung* versus *kong* system of town vis-a-vis country administration. The bias against mountain populations, the concentration of state resources in lowland areas, and uneven ethnic representation in governance structures and administration were a deep and pernicious set of social and spatial inequalities cultivated and exacerbated by the systems of rule set up by the colonial federal state. These socially and structurally institutionalized systems of unequal power and discrimination would go on to have persistent and long-lasting impact on Lao state and society well into the post-independence period, influencing state formation politics and the objectives of the governing regime thereafter.

Well-known and regarded studies valorising the mountain populations of the northern Mekong region and their ability to evade and resist the internal colonizing efforts of colonial and national state-building lowland elites have been encapsulated and popularized in academic imaginaries in titles such as *The Art of Not Being*

Governed (Scott 2009), which itself draws heavily on the earlier work of Dutch historical anthropologist Willem van Schendel's writings on the same Southeast Asian populations (van Schendel 2002). These titles have spawned and continue to inspire a new generation of scholarship focused on upland communities and either their persistence in the face of the growing encroachment of regional market integration and the inroads of globalization, or their ability to escape 'beyond' the reach of states which are supposed to govern and support them. This popular 'zomian' interpretation of Southeast Asian mountain populations however lumps together varied and heterogenous upland histories and periods and has sometimes romanticized and mistaken historically evolving forms of systemic institutionalized discrimination, suppression and marginalization for a statically obstinate traditionalism marked by a devotion to dynastic tribal autonomy. Lao provincial cabinets formed of district chiefs and deputy chiefs by direct order of the Indochinese Governor General in 1920 and the Vientiane Consultative Council formed by provincial cabinet representatives, senior officials and handpicked appointees by the *Resident Superieur* intentionally disregarded and did not absorb customary rulers into Council affairs and the institutions of colonial authority (Boupha 2002, p.8). Rather than preferring to live in parallel isolation or beyond the control of the colonial state, mountain populations of French colonial Laos were cognizant of the ethnic hierarchy and distinguishable layers of the colonial apparatus to which they were not welcomed or represented on equal footing. Their revolts against the Indochinese state were revolts against the uneven imposition of the head tax and uneven federal fiscal burden foisted upon ethnic minorities during times of economic depression. The art of not being governed must be contextualized in relation to the brutality of systemic colonial discrimination and institutionalized subjugation which left little choice but to violently fight domination or submit and perish. These perilous stakes marked ethnic uprisings by Ong Keo and the Loven people, Ong Kommadan and the Alaks, the dogged Tai of northern Sam Neua and the Meo (Hmong) opium growers of Xieng Khouang province in the battles of the early 20th century in French colonial Laos. The willingness of some of these same areas to join communist anti-imperial guerrilla struggle decades later speaks not only to the dissatisfaction of being ruled from afar, but also to the appeal of joining the more inclusive and affirming governance project of a state formed by and for peasant nationalism rather than peasant rebellion.

Governing on a shoestring, the French colonials in Lao managed to extract lasting generations of wealth gleaned from the deathly mines of south central Nam Patene and the opium fields of the northwest while doing little to improve economic, social or infrastructural development. They imposed dysfunction, disruption and colonial vassalage on the native lowland populations and a history of violent instability in the ethnic highlands. The social and spatial inequalities, development deficiencies and institutionalized biases they left as their legacy would contribute to long-running weaknesses in Lao efforts to overcome its developmental challenges.

Vietnamese Incursions & Anti-colonial Indochina

Large-scale Vietnamese colonial labour migration into Laos discussed in the previous section led to fomentation of early communist ideology and its incursions into Lao territory via Vietnamese labour struggles, strikes, and the diaspora of predominantly Vietnamese anti-imperial communists inside and outside Laos. The failure of the first wave of Vietnamese anti-colonialists to inspire indigenous Lao communist organization and revolution prior to the Second World War has been well-documented(Gunn 1988b; Goscha 2004), however the ideological, political, elite, and inter-family connections they forged prior to WWII were the political prelude and laid the social groundwork for the later emergence of an indigenous Lao national communist movement and organized military and political party from the1940s and 50s onwards.

Sananikone's memoir describes the extremely tight security in Vientiane and the suspicious paranoia of the French *surete* throughout their reign which made organizing an effective resistance movement within Laos dangerous and difficult (Sananikone 1983, p.4). To circumvent the draconian conditions of French control and surveillance, waves of anti-colonial and anti-dynastic refugees sought shelter in the neighbouring kingdom of Siam which facilitated the large number of immigrants in the first decades of the 20th century. Vietnamese immigrants settled by the thousands in Bangkok, later shifting to northern territories on the other side of the border from Laos in Pichit, Lampang, and Sakhon Nakorn, remaining committed to political developments across the border by circulating leaflets and forming secret societies. French colonial accounts attest to the suspicion and paranoia of French intelligence officials inside Laos who suspected Vietnamese members of the administration, 'coolies' and members of the federal army were members of these diasporas (Gunn 1988, p. 46-47).

Amongst the privileged Indochinese elite able to travel and study abroad, 'scholar patriots' formed via their exposure to internationalist currents and the impact of first, the Meiji Japanese military defeat of Russia in 1905 (a turning point for anti-colonialism viewed from the perspective of disparate Asian nationalists attempting to make sense of losses in their own homelands to Europeans) and second, the later ascension of communism as state ideology in the Soviet Union following the October Revolution of 1917. For Indochinese Vietnamese and their diaspora, Marxist-Leninism offered a significant class-based answer to the colonial predicament they found themselves in, and linked their predicament to the earlier French Revolution and the revolutionary movement in Moscow; internationalism at the dawn of the 20th century was 'modern' and in analytic line with a response to capitalism and colonial domination. The founding of the Communist International (COMINTERN) in 1919 and the subsequent founding of the Vietnamese Communist Party (later re-named the Indochinese Communist Party) by Ho Chi Minh in Canton / Hong Kong in 1930 ushered in a new era of political organizing within the Mekong mainland in Indochina and Siam.

First wave communist organizing in post-ICP colonial Laos arose from the working- class town-centred Vietnamese migrant labour population and, significantly, from the mining pits where they worked. In Indochinese Annam, the peasant and worker rebellions in the Nghe An and Ha Tinh provinces -due to high unemployment and famine conditions - resulted in the 1930 Nghe-Tin uprising, the first instance of communist cadres linking a strong sense of nationalism with a revolutionary program based on class war in Indochina. The Nghe-Tin region was also a key source for migrant labour destined for mining zones in Laos. Shortly following the Nghe-Tin uprising, methodical sabotage at the Lao Phontiou and Boneng mines emerged in early 1931, remarkably unprecedented in Lao labour history. By 1936, as the *franc* and colonial *piastre* fell in value and wages were slashed, the Vietnamese migrant labour force of the Phontiou and Boneng mines in Laos staged a worker's strike following similar demonstrations in Tonkin (Gunn 1988b). Although world prices for tin were stable and high throughout the 1930s, massive retrenchment and reduced wages continued in the mines of Indochina coinciding with a rise in the organization of communist cells in the area and surrounding provinces of Thakek, Savannakhet and Pakse.

In the administrative capital of Vientiane, fifty-eight non-communist affiliated Lao and Vietnamese students in the professional school boycotted an increase in school fees in 1934 only to be met with military threat, while traders in the capital's main market went on strike in the same period over a high tax on the market. That same year is the first recorded extension of communist propaganda into indigenous Lao and the commemoration of the Nghe-Tinh soviets via pamphlets distributed in the streets of Vientiane as well as the seventeenth anniversary of the Soviet revolution (Gunn 1988, p.59).

First wave anti-colonial communism in Indochinese Laos reflected the worldview and concerns of the Vietnamese migrant labour force, emigres, and refugees who led the initial ICP Popular Front movement, and was out of touch with the social realities of indigenous Lao. The incipient ICP movement however, founded in Hong Kong and organized cell by cell on the Mekong mainland straddled a difficult line between meeting central COMINTERN diktat that communist parties in European colonies correspond with the colonial states they opposed- hence, the naming of an Indochinese rather than Vietnamese Communist Party- with the tri-national Lao, Vietnamese and Cambodian realities on the ground. In appeasing Moscow, the early Vietnamese communists were tasked with revolutionary liberation for all of Indochina, not just Vietnam. Some ethnic Lao activists feared they would be subsumed as the minor party in a Vietnamese-dominated communist federation. Critically, Japanese occupation and overthrow of the French Indochinese state and subsequent Allied victory would become critical turning points in the formation of contending versions of Lao nationalism.

2.3 Great Power Politics & the Making of Lao Nationalism

The Japanese Interregnum

'Your kinsmen live in a free country with free institutions. They are your own people separated from you only by the false frontier of colonialism.' – Thai propaganda (Crosby 1945, p. 111-2; cited in Toye 1968, p.58)

Shifting geopolitical power relations during the Second World War and its aftermath provided a critical opening for the rise and expression of indigenous Lao anti-colonial nationalism.

Following Hitler's march to Paris in 1940 and the arrival of Japanese forces in Tonkin, the Vichy government warned the *Resident Superier* in Laos of imminent invasion by the Japanese as they continued their expansionary Co-prosperity Sphere in the Southeast Asia campaign. By December 1941, neighbouring Siam had been invaded by the Japanese and the fascist pan-Thai Phibun Songkhram regime formed an enthusiastic alliance with their invaders, renaming the kingdom Thailand and launching aggressive campaigns to recapture territories previously lost to Indochina. Thailand reclaimed Bassac in the south and Xayaboury in the north of Laos. Beleaguered and humiliated, it was only then that the Vichy government began to foster a form of bourgeois nationalism in the remaining Indochinese Laos to, 'develop a lively sentiment of gratitude towards France on the part of the indigenous masses' (Gunn 1988, p.104). Charles Rochet, Inspector of Education in Laos and long-time resident swiftly proceeded to lift the ban on press and launched the pro-French *Lao Nhay* ('Lao Renovation') paper and two sister publications in French and Lao, the first Lao language publications in the country in the style of a modern press (outside the underground communist publications of the 1930s). Cultural committees for theatre, training in art, dance, literature, women and youth were also established. While the new Lao language literacy was promoted inside Indochina, restrictions on Thai-Lao language literature and propaganda from across the Mekong were imposed to tamp down rising pan-Thai sentiment. As French Indochina came under attack from without, it expanded its budgetary efforts to win the loyalty of the Lao to the empire and to Vietnam. Vichy sponsored Lao nationalism sought to awaken Lao appreciation for its culture and heritage through a modern lens while bolstering the population as a bulwark against the Thai.

As the Vichy French began the sponsorship of the bourgeois nationalist *Lao Nhay* movement from above in Laos, indigenous Lao in exile in Thailand began forming the *Lao Pen Lao* ('We Are Lao') or *Lao Issara (*'Lao Freedom'/'Free Lao'*)* movement, an anti-colonial and anti-Japanese underground group with the backing of the British, American, and Thai military. Sakon Nakhon on the Thai side of the Mekong became a training camp for young Lao who had fled Laos after being detected as anti-French agitators (Sananikone 1983, p.5).

In a momentous turn of events, on March 9th, 1945 the Japanese launched a military coup in the administrative capital of Vientiane. Within twenty-four hours all French resistance to the Japanese was overcome. Japanese accounts of the coup contend that the Japanese strategy was to neutralize the French military before any landing by the Allies was attempted and to thwart Sino-American forces in Indochina (Sako 1960, p.25 cited in Gunn 1988, p.108). Here the assessment of Laos following Japanese occupation by Sako Masanori, the Japanese Commander who led the occupation of Vientiane is worth recounting. According to Sako's post-war memoir, *Laosu Dokuritsu no Shinso* ('The Truth About the Independence of Laos'): 'it was difficult to designate a Lao as senior interim official because of Laos' sad history as a colony; …Laos had been forced into a position of dependence in which it merely implemented laws passed down by the French Governor General;

the servile relationship had arrested the development of an independent administrative ability' (Sako 1960, p.86; Gunn 1988, p. 110).

On the 4th of April, 1945 Sako addressed the public from the deposed former *Resident Superieur's* palace:

'…Our purpose is not to occupy Laos. Japanese are your comrades and are sympathetic to your plight. We are at the same time both Buddhists and yellow peoples. Let's cooperate to achieve independence for Laos. While I will take full responsibility for the defence and the public peace and order of Laos, in order for you to eventually assume independence I want you to take responsibility for your own administration…It is not for Japan, it is for your country' (Sako 1960, p.89).

Days after Sako's address in Vientiane, King Sisavangvong of Luang Prabang who had been initially unwilling to accept the new circumstances reluctantly proclaimed the independence of the Kingdom of Luang Prabang.

The Japanese interregnum in Laos was short-lived but a historically significant turning point in Lao history and its road to independence. The Japanese withdrew on August 15th, 1945 one month before surrendering to Allied forces, but the civil conflict which emerged within and outside Laos between pro-French and pro-Japanese elements presented an element of choice to Lao masses and the elite for the first time, demonstrating the possibility of altering history. The Japanese occupation of Laos brought about the death of the old Indochina and significantly re-configured domestic and regional political relations even as French forces plotted their military return and restoration.

Developments which transpired after Japanese withdrawal from Laos mark a watershed period for the Lao independence movement. Precursors to the future Lao People's Revolutionary Party and the Lao Army were formed by October of 1945 in the formation of the Provisional *Lao Issara* Government in Vientiane and the anti-French resistance 'Lao Army of Liberation and Defence' in Savannakhet. They received significant backing from the communist-nationalist *Viet Minh* and the newly Sino-recognized Democratic Republic of Vietnam (DRV) as well as the Thai and the American-backed *Seri Lao* group in Thailand.

'A Fundamental Alteration of the Balance of Forces' – French Restoration & the First Indochinese War

The Japanese interregnum in Lao colonial history, while ushering in a new era of assertive indigenous nationalisms, marked only the beginning of Laos' long road to independence and international recognition. The French quickly re-asserted themselves and installed a series of puppet regimes in Laos as negotiations dragged on over the terms of re-incorporation. It would be nine years after the end of WWII before Laos would achieve full independence from France through international negotiations at the 1954 Geneva Convention and a further two decades of divisive civil conflict and international military engagement in proxy war before the *Pathet Lao* would take control in 1975, a full three decades after the patriotic *Lao Issara* had initially proclaimed independence following the withdrawal of the Japanese.

Historical records show that planning for the re-conquest of Indochina began well before the end of WWII, while Paris was still occupied by the Germans through the Calcutta and Kunming branches of the Free French Gaullists (Bui 1965).[37] Six months after the withdrawal of the Japanese from Laos, the French re-took control of the Mekong river valley from the south, marching from Pakse to Savannakhet, Thakek and finally Vientiane, attacking and capturing in sequence.

[37] Japanese accounts allude to the hubris of the French in planning a return to Laos as they discovered with amazement that rolls of French Indochinese piastres lined the banks and treasury of Vientiane rather than being destroyed by the departing colonials upon arrival by the Japanese; they reasoned that the French were unwilling to 'lose face' in front of the Lao and that they arrogantly and more worryingly planned to come back (Sako 1960, p. 93).

Their siege of Thakek in March 1946 was particularly gruesome and attests to the existence of an organized, galvanized and committed indigenous anti-colonial nationalist movement by the 1940s. Leading figures of the anti-French *Lao Issara* independence movement and Commander in Chief Prince Souphanouvong zealously attempted to ward off the French in the last major outpost before the latter could descend upon the administrative capital. *Viet Minh* forces had urged the *Issara* to burn down Vientiane to spite the French but the Lao nationalists refused. According to *Issara* member Sananikone's account, the battle of Thakek began with the bombing of the crowded central market, aerial machine gun fire and tank attacks on unarmed civilians and Lao military personnel attempting to cross the Mekong, 'just like shooting at chickens and ducks in the yard' (Sananikone and Murdoch 1975, p. 45). Correspondence from Souphanouvong acting as Foreign Minister of the Provisional *Lao Issara* Government to the Foreign Minister of Vietnam in Hanoi and provincial *Lao Issara* chiefs attests to the determination of the nationalist forces:

> …In the name of the Government and people of independent Laos, wish to bring to the knowledge of the civilized world the notion that the people of Laos have decided to sacrifice everything until the last drop of blood to conquer independence, complete freedom as with the Vietnamese people and others, peoples falsely labelled *mineritaire* by imperialist and inhuman governments.
> Consider as void the Franco-British propaganda which naturally always wishes to justify their single worthless enterprise of civilisation. At this moment, the struggle continues ferociously in Thakek, Savannakhet, Muong Phine where French imperialist troops are strongly supported by British Indian soldiers and Japanese.
> Against all sense of the humane, the imperialist army employs airplanes, tanks, cannons and dum dum bullets…Our joint Lao-Viet army increasingly records victories and inflicts considerable losses upon the imperialist bands.
> Hoping that justice will validate our noble cause (Gunn 1988, p. 170).

Souphanouvong barely managed to survive the Thakek battle as the indigenous army and civilians were decimated by returning French forces.

By 1946 the Royal Kingdom of Laos was acknowledged as a provisional constitutional monarchy within the French Union. The Kingdom of Laos became an Associated State of the Assembly of the French Union in 1949, which recognized the kingdom as a self-governing state within the French Union. In reality, the French attempted to return to the status quo ante and were bolstered by the US Truman administration, which wanted the French to fight an anti-communist war in Southeast Asia with US assistance, while the French viewed the situation as a colonial war as a result of their experiences in Algeria. The nationalist *Lao Issara* movement fractured into pro-French and anti-French camps, and further still into anti-French/pro-communist or anti-French/pro-neutrality factions.

Communication from US Minister to Siam[38] Edwin Stanton to Secretary of State Dean Acheson just after the new year in 1947 described a memo jointly signed by the 'free Cambodians, free Laos, and Vietnam Government,' setting out an appeal to the US and UN to intervene in Indochina. This was subsequently given to the US military attache in Bangkok by Prince Souphanouvong just after the siege of Thakek in which he came within an inch of losing his life. As described by Stanton, the memo set out in brief form a history of Lao and Cambodian relations with France and their grievances, and concluded with their hopes for independence and the suggestion of establishing a federation of Southeast Asian states. Stanton then sympathetically urged US action on behalf of the nationalist movements at the Security Council, closing his telegram with this assessment:

> While Legation has only limited knowledge of recent development in Indo-China, particularly Tonkin area, it appears to me that situation is steadily deteriorating, that present hostilities between Vietnamese and French are likely to spread and that free Laos and free Cambodians may be expected at any time to join in attacks on French, feeling that present developments furnish opportunity achieving their aspirations by force. Result therefore may well be that virtually all of Indo-China will be engulfed in vengeful strife which will still further embitter relations between native peoples of Indo-China and French and result in general chaos. It is also conceivable that neighbouring countries in Southeast Asia may become either directly or indirectly involved. It is certain that sympathies of such neighbouring countries as Siam, Burma, Malaya and Indonesia lie with Vietnamese, Laotians and Cambodians. Serious and

[38] The US mission to Siam held 'legation' status until March 1947, when it was upgraded to embassy status; in US historical archives Stanton's correspondence is classified under 'Minister in Siam (Stanton)' up to this point and later shifts to 'Ambassador in Siam' within Foreign Relations of the United States 1947, The Far East Volume VI.
https://history.state.gov/historicaldocuments/frus1947v06/d65

> widespread conflagration in Indo-China is therefore matter which may very definitely affect peace of Southeast Asia. In these circumstances it appears to me that situation in Indo-China is one which very definitely comes within purview of UN and more particularly of Security Council. It also raises the question of what if anything US could do by way of offering its good offices to assist in preventing spread of hostilities and in working out of just and equitable solution. It is therefore my earnest hope that Dept will give this whole problem most careful consideration with view to taking such steps as seem desirable and advisable either by offering its good offices or causing this serious situation to be considered by Security Council at early date ('The Minister in Siam (Stanton) to the Secretary of State', Bangkok, 7 January 1947, *Foreign Relations*, 1947, The Far East, Volume VI).

A week later the Department replied in telegram to Stanton:

> Dept approves efforts secure info concerning current developments Indochina but does not consider Dept proper channel transmit memoranda to SC from 'free' groups claiming represent nationalist movements Indochina. You should therefore return document in question." (851G.00/1–747)

The exchange was circulated to the London, Moscow and Nanking offices with a line added that the US would, 'before taking further action re Indochina…await French official statement after Moutet's return to Paris.'

These exchanges and the wider collection of US diplomatic sources in Volumes VI and VIII under 'The interest of the United States in nationalist opposition to restoration of French rule in Indochina,' give a window into the disparate international political interests working against the anti-colonial Lao independence movement; they hint at the US strategy of deference and support to the French in an effort to use the latter to 'contain' communism in the region which the French duly capitalized on for aid; and they reflect a lack of contextualized understanding and priority given to Southeast Asian affairs by Washington in the immediate post-war years. George Kennan's writings on containment strategy arose from a European context in the same period in which the Lao anti-colonial movement attempted to negotiate a full colonial exit on the basis of centrist patriotic nationalism rather than communism, and by political and diplomatic rather than military means. At the inaugural session of the Lao National Assembly in November 1947, the first legal political party in Laos – *Lao Houan Samphan* - the Lao National Union Party - was a ‘neutralist’ party which claimed popular mass support while remaining unpopular with far right and far left factionalist elites and emigres.

The window of possibility for Laos to gain full independence from France on centrist grounds with the assistance of the US and other forces quickly narrowed as external developments in the region re-oriented and fortified American policy against communism. Conflating communism and nationalism, US policy viewed aspiring anti-colonial nationalist movements with new wariness and suspicion. The establishment of the People’s Republic of China and the outbreak of war in Korea in 1950 gave heightened credence from the US perspective to the domino theory of expansionist communism in the post-colonial world. Pentagon papers reveal how much the US’ approach to Southeast Asia was refracted through its engagements in Europe. Upon his ascension to the post of Secretary of State in 1949, Dean Acheson revealingly thought of Ho Chi Minh as an ’Asian Tito’, transposing the Yugoslav context on to a hypothetical Southeast Asian one[39]:

> Question of whether Ho as much nationalist as Commie is irrelevant. All Stalinists in colonial areas are nationalists. With achievement national aims (ie independence) their objective

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[39] Former Director of the Office of Chinese Affairs and Ambassador to Burma Edwin Martin added further anecdotal observation regarding Acheson in an oral history interview for the Truman library in 1975 in which he said of the former Secretary of State, “I think Acheson was much more Europe oriented. I don't think he had much use for the Far East, I think he felt it not important to the U.S. interest. I've heard him make remarks about people of Southeast Asia that I wouldn't want to repeat…my own feeling, for what it's worth, and I must stress again I've never worked with him in a meeting, or conferences the way I did with Dulles, is that he tended to be Europe first and that he did not have a great deal of interest, or put a great deal of weight on the Far East. https://www.trumanlibrary.org/oralhist/martinew.htm

Acheson was not the only US official to mistakenly read Southeast Asian politics through a European lens; William Rust’s account of later US-Lao engagement in *Before the Quagmire: American Intervention in Laos 1954-1961* (Lexington, KY: University Press of Kentucky 2012) based solely on US diplomatic and intelligence sources reflects the US’ myopic fear of Laos becoming like Czechoslovakia; in Laurent Cesari’s *Les grades puissances et le Laos* 1954-1964 (Arras, France: Artois Presses Universite 2007) John F. Kennedy’s reading of Laos mistakenly believed the Soviet Union had more clout on the ground than it actually did (vis-à-vis Vietnam); the underestimation of Vietnamese influence in Laos led the Kennedy administration to pursue a hard line regarding Laos with the expectation that the US could then bargain with the Soviet Union over the preservation of West Berlin.

necessarily becomes subordination state to Commie purposes and ruthless extermination not only opposition groups but all elements even slightest deviation… (United States – Vietnam Relations 1945-1967, 1971, 'Ho Chi Minh' Asian Tito? Book 1 of 12, C-5).

The US subsequently increased its military assistance to France in fighting what was perceived as a second theatre of war alongside the Korean war in the battle against communism in Asia.

Vietnamese forces meanwhile significantly expanded their operations (with the assistance of the Chinese People's Liberation Army) in the northern border areas of Vietnam and Laos via the 'Indochina trail' which would later become the Ho Chi Minh trail when, in 1960, north Vietnam resumed military pursuit of reunification with the south. Significantly for Laos, expanded *Viet Minh* forces in conjunction with the Lao People's Liberation Army succeeded in capturing Sam Neua province and parts of Phongsaly where the Pathet Lao established its most important base throughout the rest of the war, building from strength to strength.[40]

Morale in metropolitan France and amongst members of the Royal Lao Government and Lao national soldiers reached a nadir as French forces were unable to adequately defend Lao territory. The high death toll for the Union's Far East Expeditionary Corps began shifting public opinion in Paris towards a negotiated settlement in Indochina, which was further reinforced in 1953 when the US reached an armistice in Korea. France agreed to a conference in Geneva in the spring of

[40] The author's fieldwork included participant observation and ethnographic immersion in the private home of Lao party officials who had originated separately from central Luang Prabang and northern Huaphan; met in the caves of Sam Neua as young revolutionaries, and began a dynastic lineage of new party officials now based in Vientiane. The strategic security role the Sam Neua bases played in transmitting personnel and supplies from Vietnam has often been highlighted in historical accounts, however the author's own fieldwork from 2013-2014 amongst the generational elite who came of age in the Same Neua caves and their progeny observed the socio-cultural and symbolic significance the establishment of the Sam Neua base played in providing a tangible physical space and migratory destination point for native Lao with similar political leanings and aspirations. Sam Neua provided physical continuity amidst political change and a milieu where aspirations could find social solidarity with compatriots from other villages and regions. Methodologically speaking, cosmological observations gleaned from participant observation, ethnographic engagement and absorption of private oral histories of this nature form part of the author's acknowledged 'background priors' in approaching the historical work.

1954 to discuss Korea and negotiate a settlement for Indochina following official rumours floated by General Vo Nguyen Giap that the DRV was also ready for a ceasefire.

The proposal of a ceasefire by the Democratic Republic of Vietnam (DRV) at the Geneva Conference of 1954 came just days after Viet Minh forces had devastated Union forces at the siege of Diên Biên Phu. Despite this successful military victory, the political reverberations were not commensurate. The DRV did not negotiate for or walk away with full independence and unified governments in the region. Negotiations nearly broke down over the issue of cease fire and troop withdrawal from Laos and Cambodia by the Viet Minh. The French insisted upon full non-interference and guarantees that Laos and Cambodia would not be used as bases for aggression by any other states. The US, Royal Lao and Cambodian delegations did not acknowledge, the 'non-existent, so-called governments or states, such as the so-called Pathet Lao or Free Cambodians' (Zasloff & Brown 1991, p.51). The Chinese and DRV delegations continued to push for the issue of PL and Khmer Issarak representation. However, this question was bypassed entirely as negotiations got under way because of the DRV's suggestions that a temporary de facto partition of the three states be put into effect as troops regrouped following the cease-fires. The DRV was pressured by Chinese and Soviet delegations to compromise significantly, in order to avoid breakdown of the talks and a resumption of hostilities. For Vietnam, the demarcation line was moved upward from the 13th to 17th parallel, and elections were put off for two years, while in Laos the Pathet Lao were not given an autonomous zone and were not officially allowed to keep the territory they had previously acquired in battle. The Royal Lao government would organize national elections, and administrative details for how a coalition government would operate were left unspecified.

The outcome of the 1954 Geneva Conference did not spell the celebration of the independence of Laos, Vietnam and Cambodia from the French, but rather the disappointing beginning of decades-long internecine warfare in all three states. In Laos, protracted internal division would swing successively back and forth between elite accommodation and polarization within Vu's state formation schema, as domestic communist and non-communist factions tried to form working coalition governments on three occasions, with heavy infiltration by external parties. Laos would serve as the battleground for another twenty years of devastating war as other states around it embarked on national development projects.

2.4 *From Buffer State to Battleground*

Between 1955 – 1962, Lao political leaders of all stripes tried repeatedly to reconcile and form a coalition government following the protocols agreed at Geneva. The first coalition lasted the longest and illustrates the desire of Lao leaders to negotiate a neutral coalition in line with the 1954 accords through political rather than military means. This even included the de-mobilization of Pathet Lao forces through political negotiation – attesting to native elite choosing the politics of accommodation. Reconciliation was further supported by the widespread desire on the part of urban and rural citizens for reunification as shown by the electoral mandate for pro-conciliation and pro-neutrality candidates. The inability to form a lasting coalition government was not entirely a result of a lack of interest on the part of native elites in unifying, accommodating, or compromising, while holding out for their own positions, as Vu's state formation schema sets out. As this section will illustrate, efforts by native elites to compromise were repeatedly thwarted, violently and severely, by external intervention. New native elite factions loyal to US policy were continually formed to replace native elites pursuing unification and negotiation with native communist elites, and this eventually influenced a large enough proportion of both elites and the peasantry to join the left cause. External intervention was another significant factor which had led to elite polarisation by the start of the second Indochinese conflict and US military action in Laos. The second coalition in 1962 rapidly disintegrated within just over a year, in the context of the surrounding escalation of military confrontation between neighbouring Vietnam and the United States.

Representative leaders of the Pathet Lao and Royal Lao Government began talks for a joint commission in the weeks following the 1954 Geneva accords, with an air of mutual mistrust but with a willingness to work towards accommodation. RLG leaders were optimistic that a compromise could be reached as they judged that communist PL numbers were not significant in number, and that enough of the disbanded old centrist *Lao Issara* flank remained positively to influence the direction of the talks. In contrast, external parties on both sides were ramping up organizational efforts to build up political and military strength. The formal process of reintegration would lead to numerous misunderstandings on both sides, and a deteriorating shift from mutual mistrust within a framework of accommodation to extreme polarization, divided governance and violence by the end of the decade.

Anti-communist hawks in the Eisenhower administration immediately formed the Southeast Asian Treaty Organization (SEATO) via the Manila Pact, just six weeks after the Geneva convention. This pact extended 'protection' provided by the organization to Laos, Cambodia, and 'free Vietnam,' who were precluded from engaging in direct military alliances, via the protocols of the Geneva accords. The

United States then took over direct budgetary support and out-of-country military training for the Royal Lao Army. Under the cloak of neutrality, the US' actions were preparing Royal Lao forces to destroy PL military activity. US foreign policy had shifted from communist containment to full blown anti-communist offensive under John Foster Dulles' state department.

The Pathet Lao initially refused to relinquish administrative control of Sam Neua and Phongsaly until a political settlement over its own status within the coalition government could be reached, and also pushed for a lowering of the voting age from 30 to 25 as well as for the inclusion of women; when these demands were not met, it boycotted the first elections in December of 1955 (Brown & Zasloff 1986, p.56). Ballots could not be collected in the disputed provinces, but nonetheless left leaning candidates won 8 of 39 seats. Shortly after the election of the new Lao government, with protests from the PL, the *Neo Lao Hak Xat* (NLHX; Lao Patriotic Front) was formed, and, significantly, a Lao successor party to the Indochinese Communist Party (ICP) came to light in the form of the new *Pak Pasason* (LPP; Lao People's Party), attached to the Pathet Lao army.

The creation of the NLHX provided a political opening allowing Lao politicians to pursue national reunification through negotiation rather than conflict. In exchange for relinquishing the two PL provinces to royal jurisdiction, supplementary elections for the National Assembly were agreed to by both sides so that the NLHX could participate in the electoral process and be represented within the coalition government. In addition, two PL ministers were added to the existing union. The deal was made possible through the fortunate deposing of the far-right Katay Don Sasorith government in parliament and his replacement by the pro-reconciliation Souvanna Phouma. Katay had exploited US fears of a Viet Minh invasion of Laos to acquire a sizeable transfer of aid, which lined the pockets of his urban network. The deal struck between RLG representative Prime Minister Souvanna Phouma and Prince Souphanouvong enraged US officials who pushed the British and French into expressing disapproval of the recognition of ‘dissident groups enjoying no constitutional status’ being allowed to reintegrate into the national community (Thee 1973, p. 43 cited in Brown & Zasloff 1986, p. 61).

The US quickly mounted a $3 million aid program which provided money and merchandise for pro-RLG candidates to distribute to village elites and provided rural economic aid projects. The plan backfired as the US, as well as the NLHX itself, was surprised to discover that of the 13 candidates posted by NLHX, 9 won seats, and the neutralist ally Santiphab (Peace) party won 4 of the 5 seats in which they ran. Neutralist and left wing candidates controlled 13 of 21 seats and garnered more than half of the total vote. Popular resentment had been building against the lavish lifestyles of US aid-backed military figures and their associates, as aid money fuelled the importation of luxury goods into the urban economy and black market. The PL capitalized on the matter of US aid as an example of foreign domination by imperialists. Christopher Goscha’s account of Vietnamese officials working in rural Laos in this period also contends that the conversion of rural areas to the PL was partially a result of the missionary proselytizing of Vietnamese communists working to convert Lao peasant villagers to the international cause. The 1958 supplementary elections reflected public approval and mass incorporation into the process for reconciliation and reunification under coalition government.

Within a month of the elections, US aid to Laos was suspended and the CIA began cultivating links with members in the Royal Lao government to form the Committee for the Defense of National Interests (CDNI) which pushed for civil service reform and a hard line against the PL, as well as actively encouraging deputies within the Souvanna Phouma cabinet to block or vote against him in the National Assembly. Phouma was swiftly replaced with the right wing Oui Sananikone, who proceeded to open up diplomatic channels with Thailand, and opened up consular relations with South Vietnam and Nationalist China. We now know that US assistant secretary of state for Far Eastern affairs Walter S. Robertson in this period and US policy towards Laos were deliberately at odds with a reunified coalition government under the Geneva Accords. Both Robertson and the deputy assistant secretary of state J. Graham Parsons testified before the House Sub-committee on Government Operations in 1959 with the latter stating, 'I struggled for 16 months to prevent a coalition' and Robertson stating, 'We did everything we could to keep it from happening' (GPO 1959).

Native elite accommodation during the first attempt at coalition government in Laos exhibited compromise which proved politically unacceptable to the ideological foreign policy of the US. Post-Geneva Lao elite accommodation was pushed towards elite confrontation with strong machination by outside powers. By 1959, with CIA-backing, the Sananikone government placed Vientiane based PL leader Prince Souphanouvong and three NLHX leaders under house arrest as the last two remaining PL battalions were ordered to report for integration into the royal army. The two battalions refused to assemble without their own commanders and were surrounded by royal army battalions with an ultimatum to submit, resign or be charged as rebels. The imprisoned Souphanouvong issued orders for the PL battalions to comply with government orders; the first battalion complied and the second battalion consisting of 450 men escaped in the night to the north with their families and belongings, causing alarm and embarrassment for the royal army. The situation was enough for the

Sananikone government to declare the second battalion’s disappearance an act of rebellion, setting the stage for military action. Prince Souphanouvong, who was revered as a symbol of reconciliation, was charged with treason and imprisoned in a police camp with fifteen PL colleagues and a state of emergency was declared.

Prior to the deterioration and breakdown of the first Lao neutralist coalition in 1959, Hanoi had already begun pulling out its elite Doan 100 (‘Group 100’) communist training group in 1958 and had announced to the PL that it would resume armed struggle to reclaim southern Vietnam from the Ngo Dinh Diem government. The VWP had guessed that the RLG would pursue a policy of neutrality in Laos similar to Cambodia, and that internal communists would be contained while a blind eye was turned to Vietnamese movements through Lao and Cambodian territory. They were shocked to learn otherwise as the American response to events in Laos escalated (Goscha 2004, p.175). This was precisely what neutralization in Laos had been intended to prevent according to the United States. Oui Sananikone, who had ousted neutralist Souvanna Phouma in the RLG and overplayed his effort to disband PL forces - setting in motion events leading to the meltdown of the first coalition - was himself ousted by the CIA with the help of CDNI members, and replaced with the more US-pliant Phoumi Nousavan, described in Washington as ‘our boy’ (Rust 2012, p.202).

The events which subsequently unfolded attest to the incompatibility of two countervailing developments – Lao native elites’ attempts to formulate internal dialogue and foster compromise as a Lao response to the Lao situation, and broader American foreign policy machinations to sabotage that reconciliation in order to block the formation of any coalition which would have allowed DRV troop movements through Lao territory.

Sananikone had reversed course and thought it prudent to pursue negotiations with the PL before holding elections in 1960 with support from moderates in his cabinet. The American CIA station chief in Vientiane then side-lined the US Ambassador by advising CDNI and army leaders to resist the neutralist course and supported a coup d'etat by Brigadier General Phoumi Nosavan, as the Kingdom was moving on from the death of King Sisavong Vong in October to the reign of the new king, Savang Vatthana. Electoral gerrymandering and increased voting restrictions were enforced to exclude Pathet Lao leaders and sympathizers with no schooling, resulting in election results that were patently rigged – in the PL stronghold of Sam Neua, only thirteen votes were listed as cast for the PL out of six thousand votes cast in the province (Brown 1986b). A brief coup against the fratricidal nature of the right-left wing split and government corruption by neutralist Captain Kong Le in Vientiane eventually led to the escape of neutralist forces to the Plain of Jars as the CIA again backed Nousavan's countercoup.

Tuong Vu's state formation framework and his universe of Asian cases - Republican China, Korea, Sukarno Indonesia, Vietnam, Maoist China and Suharto's Indonesia – as he claims, reflects variation in the level of foreign intervention involved from substantial to significant to insignificant. Vu argues that:

> 'there are reasons to direct our attention to native elites and the masses rather than to foreign forces. These forces explained the behaviour of native elites only to some extent and in some but not all cases. Many indigenous elites chose to resist foreign pressure rather than comply…even if they complied with foreign pressure, native elites still had a range of options, including whom to pick as an ally and whom to fight, and where to accommodate the masses and where not to accommodate them…' (Vu 2010, p.240).

The importance of native elites and the contingency of their choices, circumstances and actions are not in dispute in analysing the history of formation politics in Laos in this chapter. However, in the Lao case during the first coalition era, foreign intervention also played a significant and co-determining role in how alliances were formed and events unfolded, as well as in the ideological and class formation of the very elites and masses who make up Vu's schema. The perennial Manichean leitmotif in US foreign policy took communist/anti-communist Cold War form in Laos, reflecting the worldview of the policy advisors who adopted and imposed it from Washington and Vientiane, and who also created it as a reality in Laos, by alienating neutralist Lao citizens and the peasantry. Pathet Lao membership *grew rather than declined* as a result of US efforts to extinguish communism in Laos. American efforts alienated the Lao peasantry through the channelling of aid to pro-US partisans, through their exclusion from electoral eligibility by right-wing election organizers supported by the Americans and through the suppression and refusal of acceptance of popular support for reunification by the US. The zealous American search for anti-communist support and anti-communist strongmen undermined the very anti-communist popular political consensus the US sought to achieve. In Levitsky and Way's (2010) arguments concerning authoritarian elite regime durability, the resilience of authoritarian parties in crises is rooted in what the writers call 'non-material sources' of regime durability. These 'non-material' sources are of course ideational, cosmological, group identities and camaraderie solidified through collective struggle- sometimes against colonial rule or sometimes over the course of – in Vu's terminology - the politics of state formation. Here, external US intervention influenced the 'non-material' sources mass peasant-native elite alignment, incorporation and later mobilization for the Lao communist cause, as much as did the extensive organizing efforts of Lao and DRV cadres.

The repeated persecution, expulsion or escape to the north of native elites who were not in perfect lock step with the US (including communists and non-communists- from old guard centrist *Issara* members to neutralists, pro-reconciliation patriots, pro-reconciliation communists and moderates) left them with little choice but to seek support from neighbouring communist Vietnam, especially as US food rations and supplies were cut off once direct US military engagement began after the breakdown of the second coalition government. The worst of secret US aerial bombardment in Laos from 57-62 was critical in turning Lao mass support in favour of the native communist counter-insurgency; Brown and Zasloff claim that two-thirds of Lao territory, mostly rural, had shifted to the left by the end of the bombings (1991). US machinations were also critical in destroying indigenous efforts towards native elite compromise, accommodation politics and therefore in the move towards polarization described in Vu's schema – the caveat is that rather than polarization being the accumulated outcome of native elite decision-making, in the Lao Cold War context, polarization was the only outcome allowed by the looming outside power other than full capitulation and conversion of the PL to a form of elite unity based on liberal capitalism. While the only game in town allowed in Vientiane was right-wing American anti-communism, the rest of Laos north of the Mekong shifted to a different game altogether in the guerrilla terrain of the eastern front.

All Quiet on the Western Front: Guerrilla War Moves East

Attempts to form a second coalition government instigated even further polarization and the demise of the neutralist military forces led by Kong Le in the Plain of Jars; the civility and mood of accommodation which marked the first coalition period turned to conspiratorial insecurity and violence which in turn led to the departure of left wing representatives from Vientiane to the 'liberated area' and the establishment of parallel governance and separate zones of administration by 1964.

The initial proposal to end the fallout from the breakdown of the first coalition involved the establishment of a tripartite union government with four government portfolios for neutralists, three for the left and three for the right, alongside a cease-fire and no unification of armed forces until political integration had become firm. The ceasefire was urged upon the Lao with the initiative of Mikhael Kruschev and the Soviet Union with support from Special US Ambassador William Harriman. However, negotiations dragged and stalled endlessly as the Lao right wing, buffered by confidence that they would be supported by the US, took a hard line and refused to negotiate unless their stipulations were agreed to in full.

The situation on the ground in Laos become polarized and escalated into civil war as opposing sides tried to strengthen their positions. A left-supporting faction of Le's neutralist forces shot at an Air America plane carrying supplies to the Plain of Jars in 1962 which led to reprisals and assassinations against key political figures in the Vientiane capital. Neutralist representatives in Vientiane were heavily pressured to join with the right wing or face grave personal harm, resulting in the departure of PL representatives from Vientiane to the guarded security of the north and a full breakdown of the second attempt at coalition.

The Pathet Lao were as dependent on strategic, military, and logistical support from Hanoi as the Royal Lao were from the US. However, the asymmetric dependence of the PL on the Vietnamese narrowed its engagement and options with other powers, particularly the Soviet Union and the PRC. Where the Soviets sought to prevent conflict in Laos, the PRC and VWP supported it, for matters of strategic security once conflict resumed with South Vietnam. Goscha has argued that

Vietnamese communists working in Laos in the first coalition period did so with a cosmology guided by a missionary form of communist ideals (Goscha, 2004). However, by the Kennedy and then the Johnson eras and the unpublicized aerial bombardment of Laos from 1964 onwards and the publicized aerial raid on Vietnam from 1965 onwards, the strategic importance of the PL 'liberated area' and access to the Ho Chi Minh trail became vital to the DRV, who had military officers stationed in Laos working in unison with the LPLA. Through its dependence on Hanoi, the PL and Laos were engulfed in the Vietnam war and suffered the brunt of the aerial devastation wrought by the conflict. The timing of Lao efforts to implement a ceasefire and enter negotiations for the formation of a third coalition government in September 1972 is in direct alignment with the timing of DRV efforts to negotiate a ceasefire with the Kissinger administration before new US elections.

The last Lao coalition government and ceasefire agreement were established on February 21st, 1973 after three days of back to back private negotiation between the right and left Lao factions. A provisional coalition government resuming the tripartite structure of the 1962 agreement would be reinstated. Here it can be argued that the Lao communist party had the most interest in reaching a political settlement rather than merely a ceasefire, as the DRV and US were more concerned with their tactical positions in the parallel war next door. The agreement to establish a new National Political Consultative Council (NPCC) established the withdrawal of all foreign military personnel and bases within 60 days of the establishment of the provisional government with a joint commission to control and supervise the process. Critically, two zones and two separate administrations remained until elections.

By the spring of 1974, anxieties around the uncertainties of provisional government in an essentially partitioned state, the withdrawal of US troops, rampant inflation, and political developments in neighbouring countries (in Thailand, student activists had boldly demonstrated against military government in 1973 and were violently suppressed) contributed to a wave of popular left wing student unrest in Laos. Students and workers demanded the departure of foreign supervisors and of Lao government officials accused of corruption as significant numbers of royal Lao army forces deserted or mutinied. By April of the following year, the North Vietnamese army had achieved 'final victory' with the fall of Saigon and the annual Buddhist May celebrations in Vientiane erupted with political insurrection and in-fighting. A mass exodus of commercial and political elites defected across the Mekong for Thailand and further on to the United States. By August of 1975, thirty years after the withdrawal of the WWII Japanese and the first anti-French demonstrations in Vientiane, Lao communist elites seized control of Vientiane city administration through a revolutionary committee. By 4 December 1975, the Lao People's Democratic Republic was established as the six-century old monarchy of the 'Million Elephants and White Parasol' kingdom was abolished. As in a myth, the Lao People's Revolutionary Party's new general secretary, Kaysone Phomvihan, publicly appeared from the secluded caves of northern Sam Neua for the first time since 1958 as the NPCC was dissolved and a new Supreme People's Assembly established.

2.4 Conclusion

The ascent of the Lao People's Revolutionary Party and the establishment of the Lao People's Democratic Republic in 1975 marked the culmination of what Linda Weiss has termed 'revolutionary transformation' (Weiss 1988, 66-67) by socialist states. However whereas her formulation focuses on the upending of domestic class relations and a departure from extant economic systems, in the Lao case the legacies of structural underdevelopment under the French colonial system and the detrimental social, economic and developmental costs of having been the field for transnational proxy war did not mark 1975 as a rupture or break with the past, but was rather a reckoning. As will be explored in the next chapter, the former ‘apprentice revolutionaries’ were forced to reckon very quickly with decades of accumulated underdevelopment upon taking power. The Lao revolutionary elite coercively suppressed, ‘re-indoctrinated,’ or expelled political and ideological rivals upon seizing control and soon found themselves unprepared and ill-equipped for the new challenges of modern bureaucratic state formation. The following series of chapters illustrate in further detail how the price of Lao republican independence – revolutionary *political* transformation – came at the decades-long expense of foegone structural transformation.

The later pursuit of structural transformation by a proto-capitalist developmental state in Laos would then be guided by an authoritarian single party whose identity, sense of unity, purpose and lore- the non-material sources of regime durability claimed by Levitsky and Way- had been forged in the caves of Sam Neua amidst the violent backdrop of US bombings and anti-*imperial* struggle. In contrast to Vietnam, for which the Second Indochinese conflict had combined class warfare with nationalist anti-colonial struggle, for Laos – amidst the ground presence of contending foreign troops and repeated subversion of native attempts at reunification – the conflict was foremost about native autonomy in relation to external actors, not the reform of domestic landlord classes (although some of these classes were bolstered precisely by comprador relations with external parties, a point exploited by the left for mass appeal).

Communist takeover in Laos resolved the issue of war-induced elite polarization and partitioned governance, but as will be discussed in the next chapter, communist elite unity in the post-independence period did not lead to the establishment of cohesive state structures under either the socialist or capitalist reform periods.

Chapter 3

‘Land into Capital’

From Conservation to Concessions

Laos was in the words of one scholar, ‘a virtually collapsed economy,’ when the Lao People’s Revolutionary Party seized power after thirty years of struggle and founded the Lao People’s Democratic Republic in 1975 (Arndt 1992, p.189). By all accounts of the period, the revolutionary party had inherited weak state institutions[41], a staggering deficit, an unstable economy, a displaced and war ravaged society, and a predominantly subsistence peasant agrarian base after the mass departure of the urban elite. Having survived the worst carpet bombing in human history, the first five years of the regime was accompanied by not only rampant inflation and economic chaos following the withdrawal of US aid, but also severe natural disaster in the form of a devastating drought from 1967-1977 and severe floods in 1978 as the regime attempted to implement a new system of agricultural cooperatives. How then, did a new regime plagued by central state weakness and an inherited legacy of structural underdevelopment – a country paradigmatically lacking in what Michael Mann has described as ‘infrastructural power’ (IP), come to expand its territorial

[41] ‘Weak’ in reference to state institutions discussed in this sentence refers to Vu’s definition from the previous chapter, where strong state institutions are associated with cohesive state structures – Vu’s framework predicts that the institutional outcome of elite disunity in the antecedent period to state formation would result in ‘wobbly’ institutions; ‘weak’ here refers to un-cohesive, underdeveloped institutions and their limited logistical territorial penetration and as discussed further in this chapter (Mann 1984).

governance over land, local institutions, and dispersed populations by the end of the 20th century (Mann 1984, 2008)?

This chapter draws on Mann's conceptualization of the sources of autonomous state power vis-à-vis civil society to examine and discuss the territorial expansion of Lao single-party state rule in its first quarter century. It focuses particularly on the expansion of central state penetration of local land institutions as an example of what Mann and others have called the most important precondition of state power – its ability to extend authoritative power over a delimited territory (Mann 1984, p. 116; 123). I trace how the Lao central state – initially unable to successfully carry out a reorganization of economy and society through the formation of peasant cooperatives in its earliest years of nominally socialist rule, was by the end of the century able to radically nationalize a program of territorial re-zoning, peasant expropriation, mass population resettlement and a far-reaching transformation of local and central land governance institutions in the service of a national development strategy and commercially-oriented land regime known locally as 'turning land into capital.'[42]

Scholars who have tracked the evolution of land governance and the exponential growth of public land concessions in contemporary Laos (I. Baird 2011; Kenney-Lazar 2012) have been in general agreement in characterizing its early period of market reform and land development from the 1990s to 2000s as marked by what Marx originally called primitive, or 'original' accumulation, – the brutal process of separating people from their means of production; a historical process

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which has been theorized and discussed in a number of earlier contexts (Polanyi 1944). In the context of Laos, primitive accumulation has been attained at the cost of the livelihoods and break up of primarily rural ethnic minority communities who have been displaced, resettled and inadequately compensated- sometimes to make way for commercial and infrastructural projects, and sometimes driven by the paternalistic biases of other social groups who control the levers of the state. For the purposes of this discussion, it remains to be asked how the admittedly unprepared novice state administrators of the early Lao republic came to acquire the institutional clout and administrative muscle necessary to carry out the programme of brutality and coercion inherent to the attainment of 'primitive' capital?

Mann's distinction between two types of state power – infrastructural and despotic – and their relative strength in constituting different forms of state rule provides a useful starting point for thinking about how states operationally develop and move from conditions of feudal to institutionalized bureaucratic, democratic, or authoritarian forms of governance. Infrastructural power (IP) is described by Mann as, 'the capacity of the state to actually penetrate civil society and implement logistically decisions throughout the realm.' Despotic power (DP) is constituted by, 'the range of actions which the elite is empowered to undertake without routine institutionalized negotiation with civil society groups' . Within Mann's ideal-types, feudal rule consists of low IP/low DP; 'imperial' states are characterized by low IP/high DP; bureaucratic states of Weberian rational order are high IP/low DP, and institutionalized authoritarianism of the Soviet and some would argue contemporary PRC order are high IP/high DP.

In the ensuing chapter, I argue that the early republican post-independence Lao state was characterized by low IP/low-moderate DP from the brief early socialist interlude to the beginning of the transition to a mixed-market economy. In its transition from reliance on aid from CMEA states and planning advice from Soviet GOSPLAN technocrats to a new panoply of heterogeneous and contending Western OECD aid actors, new foreign actors imposed disparate forms of institutional isomorphism in the restructuring of the Lao state and its attendant powers. The transposition and installation of new forms of administrative classification by well-meaning environmentalists served not only to make land 'legible' to the eyes of the Lao state and its administrative groundskeepers (Scott 1998), but resulted in perverse outcomes as institutions designed by external consultants for the purposes of conservation and forest protection were utilized by local political leaders to legally expel and re-organize land rights in the service of foreign commercial interests and the central state. The result has been an expansion of the state's infrastructural *and* despotic powers over rural and forest populations which have historically been valorised for practicing the, 'art of not being governed' (Scott 2009).

The building and extension of state territorial authority discussed above has relied, I contend, on surrogate state planners and administrators. What began as post-civil war native deference to Soviet GOSPLAN advisors under the brief socialist planned economy period evolved to include many more actors – domestic and foreign- during the early market reform era from the mid-1980s onwards. The extant regulatory, administrative, fiscal and manpower weaknesses of the Lao central government were exacerbated by the demands of liberalization, rendering it reliant on other actors; this has initiated a pattern of devolved responsibility and deconcentrated power to other parties which I call *delegative development*. In the case of foreign aid donors, they too, 'forum shopped' amongst Laos' bureaucratically segmented state ministries and agencies for partner institutions, however delegative development captures the willingness of the central state to allow dyadic partnerships which furthered the broader objectives of the state.

Delegative development differs from conventional internal class based, sociological accounts of state formation (Skocpol 1979; Moore 1984; P. B. Evans 1944- et al. 1985) in three ways: firstly, it includes domestic *and* foreign actors, and secondly, these actors do not originate from the central state through endogenous capitalist processes, as in class-conflict based accounts. They exist *a priori* to the state and carry autonomy; in the case of Lao provincial leaders, though provinces are an administrative unit and construct of the state, the institutional and dynastic lineages of provincial power pre-date the establishment of the modern state in Lao as it existed as part of earlier tributary systems and kingdoms. Third, in class-based accounts as Marx would describe, the state is nothing more than 'the executive committee of the bourgeoisie,' that is to say, it is a set of social relations defined by domination and conquest of the levers and powers of an already established and advanced capitalist state. In contrast, the central state enters into delegative developmental arrangements because the other party has more resources or authority in particular areas of governance than the central state can muster on its own. The state vests its formal powers of authority with these development partners or agents to govern where its infrastructural power is weak. In other words, the state is not a reflection of social relations, but rather through delegative development the state engages in transitional political alliances in response to the challenges of internal governance and liberal restructuring.

Delegative development shares features of 'shared sovereignty' arrangements (Krasner 2005) associated with cases of post-conflict state-building, it differs from these cases because there is no vacuum of legitimate central government of the kind found in collapsed or 'failed state' contexts; the central state is not formally 'de-centred' of power to external parties. Internal and external actors in delegative developmental arrangements are politically chosen by the state, sometimes under situations of constrained choice, but with the state's own aim of enhancing its domestic sovereignty. Krasner's definition of Westphalian sovereignty – the right to independently determine its institutions or government without outside interference in internal affairs- is infringed upon by aid donors in the Lao context but not *de jure* forfeited; there is an element of choice or voluntarism on the part of the state in selecting and accepting rather than rejecting aid from some donors. In Krasner's paradigmatic examples of shared sovereignty arrangements in post-conflict Sierra Leone and Bosnia-Herzegovina, an UN Special Court adjudicates war crimes in the former and a Security Council-appointed High Representative enforces power-sharing in the latter. Central governments may rely on external parties in delegative development arrangements but they are not formally compelled to report to or share centralized power with an external party- hence, the terminology used by the Lao government refers to the notion of 'de-concentrated' power from higher to lower authorities and deconcentration of functions. The Lao government maintains a vision of a centralized state and a principle of democratic centralism[43] while pursuing a measure of devolution to delegated actors, be it government elites or development partners.

[43] GoL 2003

This chapter focuses on two key strands and periods of delegative development in the 1980s and 1990s: firstly the reliance of the central state on provincial leaders for local governance and revenue collection starting under the planned economy of the 1980s into the market reform period of the 1990s, and secondly reliance on external OECD aid actors - technical consultants, policy advisors and other foreign 'experts'[44]- to draft the domestic policies and legislation on which their aid was conditional. I focus particularly on international environmental governance actors and their efforts to zone and place land under conservation. I argue that by the end of the 20th century, these parallel strands of delegative development contingently combined to install and implement one of the cornerstones of market capitalism – exclusive access rights to land. Foragers, shifting cultivators, forest communities and other village communities lost communal tenure in a number of areas and either became 'voluntary' migrants or were forcibly resettled by legislative fiat backed by local state enforcement and aid-assisted implementation. These delegated actors, acting to expand the powers of the state or acting on its behalf through the state's ownership of all land, custodial authority for conservation, and its regulatory purview to designate and regulate areas of 'production' and 'protection' usurped the state's formal authority to further their own agendas, narrowed the terms of land access for certain groups, and wound up expanding the powers of the state while doing its bidding. They also paved the way for a subsequent foreign concession-driven land boom.

The utilization and reliance of the central state on sub-national/provincial actors and foreign experts – rather than diminishing the power of the state 'from below' or 'from above'- has in the case of Laos resulted in radical changes to rural

[44] For more on 'experts' – (Mitchell 2002)

land tenure systems and rights institutions which: weaken and exclude old institutions and rural social groups; re-structure and re-align state and provincial interests with foreign business interests; and extended the logistical and legal penetration of state power across *national* territorial boundaries. In doing so, the reliance on and deployment of state power in Laos to provincial and foreign actors has resulted in the extension of central state infrastructural and despotic power. In further chapters (4 & 5) I demonstrate how the central party-state has strategically evolved to deploy delegative development selectively in the awarding of large-scale state concession agreements for hydropower development to foreign private business groups.

That the Lao state has increased its despotic and infrastructural powers through reliance on surrogate institution-building agents and governance actors renders it paradoxically 'weak' through the sheer necessity and fact of reliance and 'strong' at the same time due to its ability to as Mann describes, 'boost despotic power of the state vis-à-vis civil society because they make useful the maintenance of centralised compulsory cooperation which civil society cannot first provide itself' (Mann 1984, p.127). In other words, as has been articulated in other guise, the state through its *sui generis* socio-spatial authority vis-à-vis other social groupings, ontological units or constructs is able to compel leviathan order and the formation of a territorial national community beyond ascriptive or atavistic bonds (Hobbes; Gellner; Anderson; Schmitt). The paradox of being 'weak' and 'strong' at the same time is not particular to the Lao case or uncommon, rather as Kiren Aziz Chaudhry has pointed out, this janus condition belongs to the, 'common history of late developers' (1993). Chaudhry's specific formulation of the concept of *etatisme* embodies the contradictions of government ownership – commonly viewed as an act of state ‘strength’ vis-à-vis market failures – she argues it is a defensive tactic of weaker infrastructural orders in the Westphalian system, a hold-all condition optioned by states who do not have the regulatory, administrative and/or bureaucratic power to manage international economic market pressures. Chaudhry writes, ‘at base, government ownership is more often a response to the administrative weakness of the state in developing countries rather than a reaction to the private sector’s inability to provide the skills and capital necessary for bulky investments’ (1993, p.247). In Laos state ownership of land and delegated development arrangements are mutual responses and symptoms of the same weaknesses of state capacity. The arc of the Lao story discussed in this chapter follows how Lao *etatisme* came to be *domestically* enacted contra indigenous communal land rights. In a twist of history, parallel sub-national and supra-national processes of delegated development contingently converged in the governance of village land claims.

3.1 Infrastructural Weakness & Failed Socialist Cooperatives

In the inaugural months of LPRP rule, the president of the nascent republic Prince Souphanouvong is rumoured to have stated to foreign residents in 1975, ‘we have power now, but it has come five years too soon’ (Fox, 1981). The aid-dependent urban economy in Vientiane immediately collapsed with the withdrawal of US assistance. In war time, the royal Lao government had run deficits of nearly $1 million monthly paid for by the multilateral Foreign Exchange Operation Fund (Brown & Zasloff 1991). Nearly 80 percent of Vientiane government’s budgetary expenditure came from mostly American aid, with an estimated $74.4 million flowing to the area between 1968-1973 . A third of the population in the Royal Lao Government zone was partly or wholly dependent on US food aid which was abruptly terminated by the middle of 1975 (ibid). The decline in net inflows to finance consumer imports resulted in shortages of fuel and raw materials and the disappearance of the service sector. By the middle of 1976 consumer prices rose by 400 percent on the free market as the state moved to establish state stores for basic commodities and encouraged people to grow their own food (Khan and Lee 1980).

The collapse of the urban economy, the abolition of the Lao monarchy, and the swift imposition of government controls over private commerce and individual freedom of movement sent many Lao Loum (lowland Lao) across the border to Thailand, exercising ‘exit’ rather than ‘voice’ (Hirschman, 1950). Significantly, Laos lost nearly ten percent of its population as the LPRP took control of the state (Creak, 2014). Right-wing sympathizers, the educated urban elite, and Chinese and Vietnamese business communities left en masse by 1976. While their departure was welcomed as the retreat of counter-revolutionaries by party elites, this mass exodus left a gaping shortage of skilled personnel in a country already severely lacking in advanced education and skilled manpower. For those remaining, all military and civil service personnel not part of the PL were sent to political re-education seminars in Laos’ northern zones. Internal security measures prevented many officials from returning to the Vientiane area.

Following the 18-point plan it had initially set out in its campaign, the Lao socialist party banned interprovincial trade and all major imports and exports were managed by the Lao Trade Corporation. The industrial, service and social sectors were managed by the state. State workers were paid in coupons acceptable only at state enterprises, while the state also had a monopoly over the distribution of rice. The gap in departing manpower and aid was soon filled with Soviet assistance. According to Grant Evans:

> By 1976 there were already around 1500 Soviet experts at work at all levels in Laos – economic advisors, professors, doctors and mechanics. With Eastern Europeans and a number of Cubans, the adviser population would later swell to 4000. They took over some of the compounds evacuated by American personnel, and where there had once been a 'Little America' was not a 'Little Moscow' (2002, 189-190).

Under the advice of Soviet GOSPLAN officials, the Interim Three Year Plan for 1978-1980 envisaged the rapid socialization of Lao's agricultural sector as a pre-condition for a soviet-style centrally planned economy. The plan would develop cooperatives over three phases: 1) the establishment of mutual aid teams or work brigades for the sharing of labour, draft animals and tools 2) collective cultivation and crop sharing and 3) formal collectives where all land was communally owned.

Grant Evans' *Lao Peasants under Socialism* (1990) gives a number of ethnographic snapshots and accounts of Lao attempts to implement cooperative farming over the course of his fieldwork from 1979-1987. In comparison to the outside market, landed peasants could only charge up to 15 percent of yield for rental of land to landless peasants within the cooperative compared to the market rate of 20-30 percent outside cooperatives. The distribution of yields however was determined by a work point system tied to labour contribution which worried older cooperative members. The combining of landed and landless peasants into cooperatives created tensions on both sides. Landed peasants in cooperatives would previously have benefited from a 50/50 split with hired labour outside a cooperative; according to the work point system, they received much less yield than they would have otherwise outside the cooperative system and resented the redistribution of yields to landless peasants. The landless described their labour contribution as three to four people to the cooperative versus one labourer per household for landed peasants, and that the quality of work from those who had not been serious farmers prior to 1975 was of less productivity than that contributed by landless households.

Peasant reactions to the redistributive implications of collectivization led many to leave the cooperatives or to eject those whom they saw a burden while maintaining membership to have favourable access to irrigation, lower taxes, preferential rates for inputs and the possibility of acquiring machinery. When many of these material incentives did not materialize, motivation for remaining in cooperatives was lacking.

What is clear from Evans' account is how the socialist state's quest to place peasants in the collective reflected its attempt to gain control over the natural economy. In pressing its organizational will on peasants, the collectives made peasant lives more insular ultimately resulting in a return to kin and neighbour networks. In an example of a model cooperative just seven miles outside the capital in Ban Mai ('New') village which had been formed by an amalgam of migrant families in the early 1960s, refugees from the northern conflict in Xieng Khouang, and military families from nearby camps, various elements of ecology and household structure conspired against the maintenance of the 55-member household cooperative. Land inheritance and the threat of withdrawal of land from cooperatives motivated poor and landless peasants to invest in livestock over the land.

From June 1978 – July 1979, the Lao government claimed agricultural collectives numbered 300 in June 1978 and more than 1,600 just eight months later in February 1979 (Arnt 1992). By December of 1979, the Lao Premier Kaysone Phomvihan stated that 2,800 cooperatives had been established, equivalent to twenty-four percent of all villages and 52 percent of all cantons (Brown & Zasloff 1991, p.203). By contrast, the Deputy Premier and Finance Minister Nouhak Phoumsavan admitted in that same year that the government had only been able to collect 8 percent of the expected amount of rice as tax from peasants and that the revenue from industry and commerce had fallen 80 percent short of expectations (Chanda 1982, p.124). The gap between reported number of cooperatives and the ability of those cooperatives to meet state quotas points to the fiction and coercion involved in the forming of the pseudo-cooperatives. Reports from the period recount how village officials pretended to understand the cadres explanations of the progressive tax collection system for rice but then instituted a flat tax (Brown & Zasloff 1991 p.213) and of how coercion was deployed to gain members with the threat of being sent to an internment camp or a 'seminar' for objectors (Phraxayavong 2005, p.139). According to one Lao official present at a government meeting with CMEA delegates concerning collectivization who was asked his views, he stated, '…without any experiences of model cooperatives to draw lessons from, this planning would fail.' The official, having contravened party resolutions was reprimanded by the Deputy Premier and fled with his family from Laos the day following his statement (Phraxayavong 2005, p.150) demonstrating the despotic powers and unwillingness of party officials to accept dissenting views.

The top down and non-voluntaristic nature of the early Lao cooperative campaign squandered the goodwill with which the LPRP had been welcomed in peasant areas. Popular opposition to the cooperative movement was so widespread that it had a disastrous effect on agricultural output. Northern farmers were resistant to the pooling of land and means of production, with reports of cattle being slaughtered to prevent communal ownership (Fox, 1983). The Party faced a shortage of recruits to help persuade peasants of the benefits of reform and lower-ranking officials began coercively pressuring farmers to meet ministerial targets. On a trip to

Moscow in the summer of 1979, Vice-Premier Nouhak was reportedly advised by Soviet Premier Alexei Kosygin to abandon the cooperative drive altogether before disaffected peasants fled for Thailand in large number (Chanda 1982, p.123). Agricultural experts from the Vietnamese Communist Party's Central Committee visiting Laos in the same period recommended the same as the Soviets, to immediately suspend the creation of agricultural cooperatives in the middle of the productive season. Reports of anti-government insurgency and peasant distrust fomented by antagonistic regional neighbours along the Chinese and Thai borders quickly brought the cooperative campaign to a halt in late 1979, as the LPRP was forced to prioritize internal security over reform.

The brief and aborted agricultural cooperative campaign of the early inaugural regime demonstrated the infrastructural weakness of the Lao state in its first decade under LPRP rule. A lack of native manpower, training, skill and consent failed to re-organize rural social institutions and property relations while fomenting peasant mistrust of the new regime. The adaptive and responsive nature of the revolutionary party in its first decade of rule led it to quickly change tactics and shift to a new course of policy aimed at governing the 'white spaces' – regions where, 'the masses have not yet determined to mobilize, nor acquire adequate political consciousness…' – through new channels and agents.

3.2 Devolution, Development, and the Making of Provincial Power

Following the resolution of the 9th Party Congress of the LPRP in 2011, the government unveiled a grand directive in the spring of 2012 which it called the *Sam Sang* ('Three Builds') Directive. The 3 Builds refers to the three sub-national administrative units and the central government's vision of their role within the party-state structure. Provincial level government is considered a comprehensive ‘strategy-making’ unit followed by districts as ‘strengthening units’ and villages as development units. In announcing the directive, then Deputy Minister of Home Affairs HE Dr. Khammoune Viphongxay stated:

> ‘This desire to improve the way government does business with citizens, as indicated by our Sam Sang policy, also requires some fundamental changes to the legal, regulatory and institutional environment. As you know, we are currently revising and updating the Lao Constitution, and related legislation including the Law on Government, the Law on Local Administration and new Law on City and Municipality. Provincial Councils and other planned institutional changes are in accordance with the principles of good governance of separation of roles and greater representation of citizens’ interests. The new and clarified mandates are intended to provide a more effective and enabling environment.’

Roughly 170 billion kip, or US$20.5 million dollars was allocated to ‘pilot’ and ‘model’ programs in 17 provinces, 51 districts and 108 focal villages.

What is striking about the Sam Sang initiative and its decentralizing efforts is not its scale, but the fact that it is not revolutionary or new in the Lao context- rather, it is a display of the recurring pattern of oscillation between devolution and attempts at recentralization which the state has swung between since the founding of the People’s Democratic Republic.

Central state weakness and reliance on parochial provincial power has remained a perennial feature of Lao state rule since the first LPRP regime came to power. Devolved responsibility and deconcentrated power to the provincial level and the vision of the provincial level as a hub for key decision-making and planning has its roots in the vision of the founding fathers of the Lao revolutionary party and has consistently remained a key feature in the implementation of all the government’s major reform initiatives since. In the Interim Three Year Plan for 1978-1980 which introduced rapid agricultural cooperatives discussed previously, Premier Phomvihan of the party had this to say about how the party envisioned organizational implementation:

‘The process of integration of state and society has to build down by establishing the provincial level as an all-round and complete strategic centre which would concentrate on building an integrated provincial economy and government; and to build up from the villages, integrating them into the national level through the formation of cooperatives….transforming the district into the direct leading level for the *tasseng* (canton) and agricultural cooperatives.’ (G. Evans 1988, p.32)

The central state has relied on provincial level leaders to locally govern according to national objectives at every major historical development turn, but when local leaders incentives have not been in alignment with state interests, this mismatch between central and provincial interests have instigated recurring cycles of central concentration and deconcentration of authority in the administration of the state.

Provincial Princes and Parochial Power under Socialism

Under the New Economic Mechanism doctrine of 1986, the Fourth Party Congress aimed to transform the country from a centrally planned economy to a market economy as a necessary intermediate stage on the path to socialism. Having demonstrated a decade of policy reversals, the party shift towards the 1986 NEM moved deliberately away from centralization, leading to a large-scale devolution of government prerogatives to the provincial level. It is in this era that the fiscal power of provincial actors derives, and has remained entrenched ever since. Provincial administration was endowed with planning and budgeting responsibilities, and received authority over the provincial and district tax offices. Provincial governors also obtained management responsibility over provincial civil servants, setting wage and hiring policies (Vaillancourt, 2001). Some provinces functioned as de facto mini-states, conducting their own foreign policy, controlling local investment decisions and setting fiscal and monetary policies, sometimes in competition with other provinces.

By the end of the NEM, the central government reduced the number of central ministries and ministry-equivalent organizations from 32 to 18, eliminating many departments and a quarter of its workforce, from a high of 106,000 to 76,000 (GoL, 1992), down-sizing the central bureaucracy as provincial power increased. This shifting of responsibility from the central government to the provincial administration was seen as, 'strengthening popular democracy,' while in many cases the priorities of provincial authorities clashed with the interest of the local population. Health and education services were financed from local budgets as state subsidies were cancelled, making the organization, management and delivery of services highly decentralized. Local authorities were responsible for the provision and management of facilities and personnel, applying their own pay-scales and selecting teachers. Under the new reforms, central ministries were unable to enforce national policies or address inequities in the provision and quality of services, resulting in inequitable and fragmented service delivery. No mechanism lay in place to remedy systemic inequalities in the distribution of revenues between provinces, thus richer provinces such as Champassak, Vientiane and Savannakhet kept more revenue for themselves while the central government had to cover the budget deficits of poorer provinces. What was absent from the scene were explicit expenditure assignments for lower levels of government at the district and village level, and a clear and formal statement of expenditure and revenue raising responsibilities, leading to unpredictable and unstable intergovernmental fiscal relations (Vasquez, p.196).

The 1986 shift did not bring actual devolution of autonomy or decentralization to the community level, since communities were not able to elect their representatives and subnational authorities were not fully accountable to constituents since they were appointed by provincial or central level party members. Subnational government in Lao PDR during the reform period operated as fiefdoms and continue to retain this legacy. Provincial governors did not always serve out the entirety of their terms, but couldn't be voted out by their constituents.

The 1991 Constitution, Attempts at Recentralization & De Facto Provincial Power

By the end of the 1980s the NEM had transformed the country into a quasi-confederation. By 1991, the Fifth Party Congress moved away from devolution of the reform period towards more centrally controlled government. Inspired by the transitional changes of other communist regimes after 1989, a band of forty Lao intellectuals and civil servants unofficially referring to themselves as the 'Social Democratic Club' called for multi-party elections and the political opening of Laos to accompany market reform. A crackdown on the protestors by the LPRP was swift, with the former Minister of Justice and vice minister of the State Planning Committee sentenced to political detention in the closed military area of northern Huaphan. The members of the Fifth Party Congress, also the last of the old guard revolutionary era leaders, then unveiled the country's first constitution in 1991, sixteen years after taking power. The constitution provided a vehicle for the consolidation of political power for the advocates of economic reform. The state motto of the constitution was changed from 'peace, independence, democracy, unity, socialism' to 'peace, independence, democracy, unity, prosperity' – signalling the Party's full commitment to the path of marketization.

Shortly after the promulgation of the 1991 constitution, a radical re-ordering of the Lao state's administrative and financial management structures was ushered in swiftly by decree. Decree No. 68/PM established a system for centralized tax collection and budgetary functions within the Ministry of Finance, with revenues collected at the provincial level expected to enter the central budget (via the national treasury) before being allocated to line ministries and provinces. The establishment of the National Treasury in 1993 replaced the previous system of disbursements at the local level by provincial branches of the state bank. The State Bank became the Central Bank of Lao PDR, responsible for monetary policy and its provincial branches were merged into multi-province commercial banks, putting the banks at arm's length from provincial governments and provincial enterprises to curtail credit to state businesses.

Provincial governors were now appointed by the president at the recommendation of the prime minister and held ministerial rank, reporting directly to the prime minister. A number of provincial governors also made up the majority of the central committee while all ministers were appointed by the National Assembly. Below this, cantonal-level organization (*tassengs*) was abolished. District chiefs were appointed by the prime minister through the recommendation of the provincial governor, and formed the primary intermediary level between the provincial and village level. District chiefs also coordinated the activities of field offices of line ministries and were responsible for the implementation of development plans.

By law under the 1991 constitution the National Assembly approved the state budget and determined the targeted levels of revenue generation and public expenditure. Thus, legislatively speaking, in principle provinces no longer had their own sources of revenues and had to rely on negotiations with the central government to determine revenue targets and public expenditures. Once the national budget was approved, governors could not change spending allocations during budget execution. The first national budget was passed in 1992, covering revenues and expenditures across the central government and seventeen provincial administrations.

In practice however, at the sub-national level, local hoarding of central revenues, tax evasion, and tax exemptions reduced overall transparency and accountability in tax administration. The flouting of national directives took place at all sub-national layers with the knowledge and implicit or explicit collaboration of local authorities. While the Ministry of Finance (MoF) was to monitor government finances in the capital, their powers of oversight dissolved on the ground in provincial field offices, where the horizontal authority of provincial governors controlled actual revenue. MoF tax offices outside the capital operated under the Provincial Offices of Financial Services, which controlled local public expenditure and revenue management. Under Article 14 of the Law on Local Administration, provincial governors also decided on personnel issues and salaries of public officials in their locality, affecting the transparent running of MoF provincial offices. Customs officials, though technically under the supervision of MoF authorities, received local salaries and did not enforce national regulation vis-à-vis local prerogatives.

The tax sharing scheme across provinces contributed to provincial authorities' disinterest in collecting and remitting revenues to the national budget. Provinces could be classified in one of three ways according to the scheme: in surplus, self-sufficient, or in deficit. Provinces in surplus could legally retain half the surplus while provinces in deficit could keep all recorded revenues in excess of budget targets, creating little incentive for provincial governments to report surpluses or excess revenue. All but the three wealthiest provinces (Vientiane, Savannakhet, and Champassack) under-reported revenue collection from 1991-1996 and in some instances re-channeled national revenues into local projects. They were able to reroute funds because provincial authorities opened their own bank accounts at local branches of the state-commercial banks and operated out of their own regions rather than remitting funds to the treasury. The government's opening of the economy resulted in regions competing with one another for import transit fees while some provinces granted arbitrary exceptions to promote investment in their regions. The *de jure* constitutional changes stipulated the recentralized fiscal relationship between provinces and the central state, however in practice, economic competition between provinces intensified as the state underwent further liberalization; the granting of provincial exemptions to lure investment took precedent over enforcement of the central tax regime.

Shared revenue between the central government and provincial government was mostly derived from turnover, value-added, excise and corporate profit taxes. These sources of revenue represented roughly thirty-percent of total revenues at the local and central levels (World Bank, 2007). Provincial governments however, additionally collected all import duties, natural resource taxes, and timber royalties. In total, 60 percent of overall government revenue was to be collected at the subnational level. Despite the unreliability of provincial authorities to remit revenues back to central coffers, the government paid districts for tax collection which went back to provincial coffers. The situation in a variety of tax regimes is usually the other way around, highlighting the glaring weakness of the central government to administer let alone enforce and sanction tax violations. Out of a total of 1,180 employees for the entire tax administration in 2006, only 43 were located in the capital (Vazquez, 2011); central tax administrators focused on pursuing wealthy tax dodgers while leaving revenue management outside the limits of Vientiane to local authorities.

At the village level, ‘financial units’ collected taxes as part of overall village administration but did not qualify for government salaries and hence kept a percentage of collected taxes. Since village administration depended nearly entirely on taxing peasants, local officials tended to view fiscal directives from Vientiane as a call for more vigorous village level revenue collection. As a result, land taxes in a number of areas over the 1990s and 2000s surged by over 100% in some areas; this coincided with the Party-State’s broader resource-based growth strategy of ‘Turning Land into Capital’ (commodifying resources) and the re-organization of territory via land-use policies and commercialized concession rights, to which we now turn.

‘Green’ Governmentality, Knowledge Politics & the Problematization of Shifting Cultivators

'…a state cadastral map created to designate taxable property holders does not merely describe a system of land tenure; it creates such a system through its ability to give its categories the force of law..society and the environment have been refashioned by state maps of legibility.' (Scott 1998, p.3)

Foreign assistance to Laos has shifted over time however a common theme running across different hegemons was an interest in natural resources stretching back as far as the early 19th century colonial traders. The earliest forest survey of French Indochina created in 1930 classified forest areas on the basis of the volume of commercially valuable timber, a trend that would prove recurrent with later external actors. For example, at the height of US intervention in Laos during the Vietnam War, American influence sought to rapidly expand the forestry sector to meet regional military needs for timber (USAID 1970, p.10). In the post-revolutionary period, as forest resources came under the control of the Lao state, the trend continued as the government sought to maximize extraction to pay down debt, barter and trade for funding and equipment with an array of donors in developing the new nation (Fujita 2004, p.56). An example of this was the Lao-Swedish Forestry

Cooperation Programme (LSFCP) which ran from 1977-2001, initially aimed to 'improve the economy…by increasing the export of logs' (Enander 1992, p.15). In 1991, before the Lao government imposed a logging ban, the LSFCP won a forestry contract and devoted more than half its budget towards the management of logging and another twenty-percent was spent on the importation of heavy equipment (Vajpeyi 2001, p.25).. By the late 1980s however, international interest in Lao forests shifted towards conservation.

In the lead up to the 1992 Rio Earth Summit, worldwide concern about the loss of biodiversity strongly shifted the international development landscape and came to dominate international aid priorities, affecting donor-funded projects in Laos.

By the late 1980s, the narrative around forested areas in Laos was one of decline, from a forest cover area of roughly 70% of the country in the 1940s, to 64% in the 1960s, and 47% at the time of the country's shift to *chintanakan mai* – the New Economic Mechanism market reforms (UNEP, 2001; World Bank et al, 2001; GoL, 2005). The politics of forest cover measurement since the 1980s has been fraught, with the Government of Laos official estimates of forest cover never falling below 40%, reflecting the political imperative of government departments and certain bureaucrats to show progress in meeting and maintaining aid targets and attracting investment rather than collecting accurate information and showing reality. The FAO's estimates in the State of the World's Forests report optimistically cast forest cover at 53.9% in 1995 (FAO, 1997) while the Mekong River Commission placed forest cover estimates in 1997 at a much lower 39.7% of the territory (MRC, 1997), tracking decline since 1989. The Government of Laos affirmed similar estimates to the MRC findings but did so a full decade later, in 2005, estimating forest cover at 41.5% of the country, or roughly 87,270 of 236,800 square kilometres (GoL, 2005). The GoL estimation of the deforestation rate places the land size as 70,000-220,000 hectares of clearing each year, compared to the UNEP's prediction, based on official figures from the 1980s, that the deforestation rate is closer to 300,000ha per year conservatively speaking, adding that, 'the country's last remaining forest areas will disappear over the next 38 years' (UNEP 2001, p.37).

As such, deforestation has ranked high on the international aid agenda, and by 1990, the Lao Department of Forests was flush with over fifty projects funded by a range of donors, among them: the World Bank, the Global Environment Facility, the Swedish International Development Agency, Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ), World Conservation Union (IUCN), Food and Agriculture Organization (FAO), and the Data Intensive Distributed Center (DIDC Finland) (Daoroung 1997).

While views differed on the causes and reasons for deforestation, major international development agencies and the Lao government converged on the 'chain of degradation' discourse which linked deforestation to soil erosion and further downstream impacts (flooding, rain runoff, further erosion, and sediment accumulation in wetlands and reservoirs). According to the UN:

> Forest cover is believed to be declining rapidly due to land clearance for farming and shifting cultivation, illegal and unsustainable logging practices, fuel collection and forest fires. Deforestation and the loss of forest cover around villages lead to declines in soil fertility and increasing rates of soil erosion, in turn necessitating the clearance of more forest areas for production….Declines in soil fertility, increases in the number of weeds, and increasing rates of soil erosion have reduced agricultural productivity, whilst the continuing loss of forest cover has reduced the stability of water catchment areas, increasing surface runoff and the vulnerability of lowland areas to flooding and habitat destruction.' (UN, 2000, p.53-54)

Rotational shifting cultivation (or 'swiddening') is a form of smallholder agriculture that involves rotating crops regularly around semi-permanent settlements, allowing time for fallow. Grandstaff has found that this customary form of cultivation allows for sustainable soil and forest recovery over pioneer cultivation, which uses soil at one site until exhaustion before relocating settlement (1980). It's estimated that roughly 300,000 households (Goudineau, 1997) or one third of the total population engage in some form of shifting cultivation, however the practice is concentrated in highland areas of Laos, where over 70% of cultivation on sloped elevation utilizes such practices.

The chain of degradation (CoD) narrative links upstream and downstream processes in a simple cause-and effect model, with the chain of events implicitly or explicitly – as in the case of the UN above- sequentially ordered to begin with forest foragers and cultivators' extensive 'slash-and-burn' style shifting agriculture leading to deforestation, soil erosion, siltation, and then floods and droughts. The geographical and sociological implications of such a model place causality for threats to lowland irrigated agriculture, aquaculture and hydroelectric production firmly targeted at mountainous upland areas inhabited by ethnic minorities. Within the CoD model, upland forest-based agriculture not only poses a threat to other regions and forms of small and commercial farming, but is also believed to experience decreasing agricultural productivity, leading to food insecurity and poverty through Malthusian logic:

> Swidden agriculture has only become apparent as a problem within the last 20-30 years as increasing population and decreasing primary forest areas have sparked a global awareness that swidden agriculture is no longer a viable, sustainable technology in most areas. Laos is no exception, although in most provinces the downward spiral of environmental degradation leading to an ever-decreasing carrying capacity in the face of ever-increasing populations – this deadly spiral has just begun. (Dufour 1994, p.229)

The demonization of swidden agriculture in Laos bears much resemblance and intellectual import to the earlier 'Theory of Himalayan Environmental Degradation' (THED) put forward in the early 1970s to describe increased sedimentation and flooding in the Ganges and Brahmaputra lowlands as the direct result of Nepalese upland extensive deforestation (Eckholm 1976; Ives 1989).. Rapid population growth in largely forest-dependent subsistent Nepali populations was presumed to provide pressures for land clearing on steep slopes which were followed by heavy rainfall, soil erosion and destructive flooding in lowland areas. THED was challenged fifteen years later through a number of empirical studies which discredited the thesis, highlighting upland perception of land degradation, other causal linkage factors, the existence of effective upland conservation measures bolstered by longitudinal studies in addition to micro-level research which found that the THED did not bear correspondence to empirical reality (Metz 1991). (M. (Michael) Thompson 1937- 1986) found conflicting environmental discourses reflecting different social groups (state agents, NGO workers, farmers) with different worldviews, as well as the tendency of large scale planner's attempts to link or 'theorize' human-environment interactions for overarching, macro approaches which could be deployed to alleviate poverty and environmental degradation (Forsyth, 1998). (Goudineau and Evrard 2004; High et al. 2009; Timothy Forsyth 1996; Tim Forsyth 2008)Fairhead and Leach, in their landmark research on deforestation in West Africa shed light on the role of discourse in influencing biased visions of past environmental history, in turn influencing policy-making and development practices (1995). Examining Malthusian narratives linking African 'traditional' lifestyles with dramatic forest loss as a consequence of changing land practices, Fairhead and Leach extended the historical frame to include the human and environmental devastation wrought in the precolonial period between 1870-1910 during Ziaman wars with Mandikas, and with French colonialists, which shrank the population size dramatically. When later examiners constructed unilinear Malthusian narratives of population growth following the colonial period, they failed to take into account that secondary forest growth during colonial administration had grown quickly – itself an indicator that the once larger population of the Ziama prior to colonial conflict did not cause irreversible damage to forest potential. Secondary forest growth had been conflated with primary forest growth in falsely indicting the sparse postcolonial population. Fairhead and Leach assert that:

> A narrative concerning population growth and the breakdown of past authority and community organization which once maintained "original" forest vegetation guides policy. In two cases, vegetation history sharply contradicts the deforestation analysis and thus exposes the assumptions in its supporting social narrative; assumptions stabilized within regional narratives based more on Western imagination than African realities (Fairhead & Leach, 1995).

A growing amount of Lao-based empirical research has challenged the 'downward spiral' thesis put forward in official statements by the Lao government and a number of major international development agencies (Goudineau and Evrard 2004; Timothy Forsyth 1996; Tim Forsyth 2008; High et al. 2009). Chamberlain finds that:

> '…while alleged runaway population increase among the ethnic minorities has become the rallying point for the urgent introduction of changes to swidden systems, there is no evidence to justify this urgency in Laos, especially in light of the fact that rotational swidden cultivation in the tropics is one of the most efficient agricultural systems in the world' (Chamberlain 2003, p.31)

Highland populations in 1990s Lao PDR thus found themselves captive to the workings of an adapted Mekong version of the degradation thesis. The constitutive politics of knowledge and discourse production in firstly, linking shifting cultivation practices with poverty-creation, and secondly, forming a nexus between environmental outcomes and said poverty-inducing practices is wrought with a number of assumptions stemming from gaps in knowledge and reliable local data, imported frameworks and theories from other case contexts, and the political side-lining of available evidence and casework vis-à-vis a number of interrelated incentives on the part of government elites and international development actors. The hegemonic position of the environmental degradation discourse and its corresponding locally adapted narrative concentrated on highland areas and populations wielded and continues to wield enough organizing power to mobilize a powerful conjuncture of interests between the GoL, international conservation NGOs, multilateral development agencies, and international financial institutions such as the World Bank and Asian Development Bank in concerted effort to demonize, control, and rework ethnic highland populations and their farming and livelihood practices in the name of poverty reduction and environmental conservation.

3.3 Installing Environmental Governance in Laos – The Rise of State Legibility

The 1990s proved to be a foundational legislative period for aid-driven environmental policy making in Laos, radically altering and reworking juridical relations between state and society, as well as fundamentally transforming Lao rural livelihoods and the natural landscape, and with it, I argue, the basis for the type of capitalism Laos was to pursue at the start of the new millennia.

Negotiations with non-CMEA multilateral donors in the mid-1980s had a strong impact in pressuring the Lao government to adopt a raft of legislation and measures geared towards forestry reform and set the pattern for aid-driven conservation policy throughout the 1980s and 1990s. In May 1989, three years shortly after the official shift to the NEM, at the behest of donors, Lao decision makers convened for the first National Forestry Convention – which was attended by high-level officials from every level of government including politburo, secretariat, central committee, state committee chairpersons, and subnational representatives to identify and discuss priorities in forestry reform. The tone and substance of the meeting marked a radical departure from the official discourse around forestry policy in Laos in the decade prior, which had been marked by explicit utilization of forest resources for capital accumulation and industrialization. The shift following the '89 convention focused on the preservation of biological diversity, systems management and protection; and the rehabilitation, preservation and expansion of forests while explicitly referring to upland populations as a target for 'food, commodities, and creation of permanent economic activities.' It was significant in consecrating the GoL's policy direction and discourse around forestry and land use for the following decade and resulted in the drafting of a National Forestry Action Plan (NFAP). The endorsed version of the plan then became the Tropical Forestry Action Plan (TFAP) in 1991 with support, resources, and plans for implementation by the Food and Agriculture Organization, and additional funding from the Asian Development Bank, United Nations Development Programme, World Bank and Swedish International Development Agency. The World Bank in particular pressed for a more comprehensive legal framework, dissatisfied with the existing 'weak' framework and provided heavy technical supervision and sustained pressure in legislative changes.

By 1993 the GoL introduced one of its first forays into area-based zoning of land in the Environmental Action Plan (EAP) which coupled with Decree 164 of the same year, established 20 National Biodiversity Conservation Areas (NBCAs) covering roughly thirteen percent of the country's land area. NBCAs were created to: 'protect and preserve natural resources sustainably'; 'reserve an abundance of nature and protect against environmental impacts' and 'conserve natural landscapes for tourism and scientific research.'

The creation of NBCA's formed the first of three key facets of an overarching state project of what Scott describes as processes of utilitarian abstraction, legibility, and simplification for commercial purposes, what he calls 'fiscal forestry' (1998, p.12). The paradox of NBCAs and their later complementary counterparts is that they encompass both the utilitarian power of abstraction for economic logic discussed by Scott, but also embody the multiple subjective aims of the Lao government and aid donors, including the intent of non-government conservation development agents involved in the planning and drafting process. Scott's critique of 'fiscal forestry' and its necessary abstractions meet paradoxical form in the NBCAs because they were designed to functionally preserve, recognize and acknowledge the very topographical complexities- such as fauna, flora, and the temporal rhythms of nature- which he describes technologies of abstraction as flattening. Rules and regulations for the NBCAs ban: logging except with the permission of the central government for research purposes; harvesting of non-timber forest products (NTFPs) including hunting and fishing except with permission of the Ministry of Agriculture and Forestry and any local authorities responsible for specific NBCAs. Other banned activities from NBCAs include:

- Surveying, mining and construction projects except with central government permission
- Occupation of land, settled residence and expansion of cultivation
- Collecting or moving archaeological artefacts
- Using explosives or polluting
- Shifting cultivation

Evident in the NBCA regulations are multiple and contending objectives, as international conservationists succeeded in formally instilling a ban on logging and other commercial activities, while the legislation also reflects the bias of the GoL towards banning and eradicating shifting cultivation, a form of smallholder livelihood and farming that Scott contends is at odds with the cosmology of the government's 'high modernist ideology' (1998).

Further legislation for the protected areas was fortified in the Forestry Law of 1996, which did not supersede Decree 164. The Forestry Law of 1996 went further in specifying a classification system for forests in Article 16, which includes five categories: protection forest; conservation forest; regeneration forest; and degraded forest. Once zoning and categorization of nature as resources had been established, the last cornerstone piece concerning land reform in this period was passed in Decree No. 186 in 1994, turning the existing Land and Forest Allocation (LFA) program, which had been drafted in 1989 but not ratified or implemented, into a wide-scale nationwide policy.

The LFA worked to allocate state land use rights (land ownership belongs to the state, as set out in Article 3 of the 1991 constitution) to community organizations and individual users by delineation of community boundaries and classification of community lands. Temporary Land Use Certificates (TLUCs) were issued via the Ministry of Agriculture and Forestry, the overseeing body, to community members for agricultural or forest land after completion of participatory-based survey plans between the District Agriculture and Forestry Office (DAFO), village leaders, and household consultation. TLUCs are inheritable but cannot be sold or used as collateral, and at the time of design, were thought to be convertible into permanent rights over time.

The nationalization of the Land and Forest Allocation (LFA) program into a universally mandated process in essence expanded legibility-making into every district and village, extending central territorial jurisdiction over the economic, social, and environmental zoning of land in top-down manner. LFA, translated to '*baeng din, baeng pa*' literally means to separate agricultural land from forest. It was drafted in 1989 following the Thai domestic ban on logging to prevent illegal logging in Laos as new interests shifted across borders, and was designed to initiate village-level participatory land use planning. Hailed as a progressive piece of legislation for acknowledging community rights to manage vast areas of forest in decentralized and customary manner, the LFA received generous aid support for implementation on a village-by-village basis from a wide array of bilateral and multilateral donors. By 1998, there were at least 26 agencies housed at the Centre of Protected Areas and Watershed Management under the Department of Forestry involved in LFA activities (Fujita, 2004).

The 1996 Land Law and Prime Minister Order No. 3 further fortified the LFA initiative and delineated line agencies and clear budgeting procedures for implementing LFA processes from region to region. Under the LFA scheme, the Ministry and Agriculture and Forestry assumes supervision for the whole of the policy, the Provincial Agriculture and Forestry Office (PAFO) guides implementation by the District Agriculture and Forestry Office (DAFO) in cooperation with local authorities, the District Land Office (DLR), and village administrative organizations, such as a Council of Elders.

The LFA program implementation process consists of 8 steps (Table 1) involving surveying of village boundaries, zoning and mapping of land use and household details followed by analysis by DAFO officials. By 2003, the LFA process had been conducted in more than 5400 villages across Laos, resulting in completion for nearly half of the total number of villages in the entire country (Soulivanh et al. 2004).

Table 1: Stages in Land and Forest Allocation (LFA) program implementation

Step 1: Preparation	Training of DAFO & DLO staff; resources confirmed for program implementation
Step 2: Village survey and consultation	Village boundaries surveyed, zoning and mapping of land use; household baseline information collection
Step 3: Data collection and analysis	State of land use and ownership analysed and assessment of socio-economic impact and needs assessment
Step 4 Village-wide meeting	Public information session
Step 5: Land survey	Land parcels measured and demarcated
Step 6: Preparation of agreements according to land use plans	Transferring of land title and use ownership rights to individual families
Step 7: Extension and dissemination	Promotion of sustainable land management
Step 8: Monitoring and evaluation	Follow-up assessment of the state of certified lands

The conservation-driven premise of the legislative regime around forest/agrarian land tenure reform led to a dichotomy between rural and urban areas as the legislation was focused on the legibility of forest and NBCA zones in rural areas. Land tenure security initiatives between urban/rural; southern/ upland-highland territories thus reflected the spatial dualism of its designers. Rural areas in northern mountainous areas underwent the LFA process to establish individual and communal land and property use rights, while urban and peri-urban areas pursued a World Bank-sponsored land titling initiative. Earlier colonial land titling for urban areas had been established in Laos as early as 1912 with the creation of the Land Book, a set of titles and cadastral plans for urban areas that fell into disuse to informal processes of recording. Urban informal records keeping processes continued through wartime as populations shifted and were displaced, and were maintained after a large portion of the urban population left in exodus following the 1975 takeover by the communist party. Despite flux in urban populations over time, the practice of individual land rights and private property remained and were formalized through a 1995 land titling program for 'urban land.' To be considered urban, the land had to be non-agricultural and non-forest with construction and development. The urban land titles give beneficiaries the right to pass rights to heirs, sell use rights and also use the titles as collateral for credit, in marked contrast to the TLUCs for rural village land (Lastarria-Cornhiel 2007).. In this sense, the TLUCs represent what Rodrik has referred to as a 'transitional institution' but a transition from what - to what, requires discussion of visions in theory and practice of the LFA (next section) (Rodrik, 2009).

Taken together, the zoning of land via the creation of NBCAs, the formulation of Land and Forestry Laws and their supporting legislation, and the nationalization of the LFA as well as the allocation of use certificates (TLUCs) formed a reordering of space and a new land tenure reform project with shared provenance and implementation by the Lao government and international aid agencies. The new legislative regime, backed by the resources and technocracy of aid organizations expanded the juridical control and power of the state over national territory and land and property rights institutions in a way that the state and LPRP had failed to achieve under the short-lived socialist command system of the 1970s-80s.

Swindling Swiddeners: From Land & Forest Allocation to Land & Forest Enclosure

> Imagine a lawgiver whose only concern was to respect land practices…a written system of positive law that attempted to represent this complex skein of property relations and land tenure. The mind fairly boggles at the clauses, sub-clauses, and sub-sub-clauses that would be required to reduce these practices to a set of regulations that an administrator might understand, never mind enforce. And even if the practices could be codified, the resulting code would necessarily sacrifice much of their plasticity and subtle adaptability. The circumstances that might provoke a new adaptation are too numerous to foresee, let alone to specify, in regulatory code. That code would in effect freeze a living process. Changes in the positive code designed to reflect evolving practice would represent at best a jerky and mechanical adaptation.
>
> And what of the next village, and the village after that? Our hypothetical code-giver, however devilishly clever and conscientious, would find that the code devised to fit one set of local practices would not travel well. Each village, with its own particular history, ecology, cropping patterns, kinship alignments, and economic activity, would require a substantially new set of regulations. At the limit, there would be at least as many legal codes as there were communities. (Scott 1998, p.35)

Implementation of the LFA program from village to village quickly ran into problems given institutional constraints in resources, management and administration, as well as issues inherent to the design and uptake of the legislation vis-à-vis local realities and needs.

A first clear distinction arose between government-led LFA in villages and donor-led LFA programs, which differed in procedure, levels of participation, resources, and levels of perceived and actual tenure security. In government-led LFAs, resource constraints impacted the level and quality of completion of the steps laid out in Table 1. Local District Agriculture and Forestry offices (DAFO) work with village organizations for steps 1 through 6 of the process, which in the early phase of implementation, was typically conducted in a single week to two weeks, as the average budget for such a process was $100 per village. Budget and allocation issues plagued provincial and district level implementation with chronically insufficient funding which lead DAFO staff to implement minimal procedures, shorten time for the LFA process, and sacrifice quality of participatory efforts. The LFA process led by DAFO staff usually concluded at step 6 and then required a separate submission and budget procedure for the extension activities of step 7, lengthening wait times. Between steps 6 and 7, DAFO waited in an imaginary second queue for budget allocations after which funds were dispersed without a direct link or oversight review of the quality of the management plans developed in the previous steps. Lack of systemic recordkeeping led to inconsistent information and resource management planning. In short, the LFA process had promised a number of things to and for its planners, but in practice it required a larger, more staffed, trained, and well-resourced bureaucracy to implement the program – here the gap between Lao juridical authority and *etatism*e clashed with the relative backwardness and reality of its young and under-resourced administrative and institutional capacity.

Donor-led LFAs were better resourced and tended to focus on facilitating participatory decision-making, involving local authorities and resource users, requiring a deeper commitment of time and resources. The implementation of the IFA was taken up heavily in the early years by German and Swedish international development agencies (GTZ, SIDA) which faced less constraint in terms of funding and staffing. In fact, donor-led LFA processes usually encompassed DAFO and DLO training and local capacity-building initiatives on the part of local authorities in recordkeeping and included follow-up management and agricultural extension projects and initiatives following the LFA. In some cases, completion of a donor-LFA process was a prerequisite for local and government authorities to request aid assistance for other projects. By 2001, donor-led agencies added two further steps to the 8 step LFA process, with step 9 involving agricultural land allocation records and step 10 building in follow-up monitoring and evaluation procedures.

The qualitative and procedural differences between government and donor-led LFA implementation highlight not only resource asymmetries, but different approaches and views over the very nature of resource management, conservation and governance between the GoL and donors. The quote from Scott above highlights the multiplicity of cosmologies and views over tenure and land use from place to place, space to space, as well as the inherent tensions built into trying to assert an abstracted state view of legibility over the sociological needs and subjectivities of local communities. A decentralized project of legibility and control expands certain forms of central power- such as sovereign claim to the national domain and the regulation of activities- however under a liberal framework, they also require power of another kind, the ability to manage and respect local autonomy and regulate via the rule of law without intervention. To truly decentralize power and administration requires *a priori* organizational powers of administration and sovereignty as not only power over, but power through popular legitimacy and respect for new norms and rules. A transaction cost perspective would call this form of power of governance the ability to exert compliance with minimal costs or exertion through consensus and legitimacy. The GoL of the 1990s viewed the LFA and other policies as a way of achieving strategic goals of nation and state building, which through the high-modernist lens of the southern politically dominant ethnic Lao Loum, meant integrating remote ethnic minorities into a more sedentary form of agriculture and 'modern' consumer culture under the umbrella of development. That the LFA could be an instrument to 'the eradication' of shifting cultivation belies government objectives to control people as well as land in de-concentrated, not decentralized manner, in contradiction to the spirit and intent of liberal development agents and their mission to 'decentralize' state power as well as conserve nature. The interests of the two poles of power- aid agencies and the central government- converged in design and form of legislative policy, but diverged concerning matters on the ground. The land use regime implemented through the LFA process required the resources of an already established monocratic bureaucracy, but given Laos' weak institutional and human resource legacies, the LFA became a vehicle to extend government authority and placed new demands on a state even less suited to meet the complexities of changing land reforms.

Fig. 1 - Example of LFA map

As the LFA process began to grow, a number of conflicts, issues and abuses related to declines in access to land began to crop up. Local government staff involved in LFA processes had often prioritized the classification of forests into the five categories stipulated by the Forest Law without taking into account the diverse ways resources are used by communities. According to Moizo, ‘swidden agriculture is a very complex and extremely well-articulated system that relies on strong social cohesiveness, in-depth knowledge of territorial resources, and strong complementariness between various ethnic groups. Relationships between ethnic groups are largely dependent upon specific relation to the land and upon management of resources in response to growing pressures upon land tenure’ (p.105). Under LFA, swidden-fallow lands were designated as forest areas and could not be converted for non-forest land uses under the new system of exclusive rights to access, shrinking areas available for shifting cultivation. In order to grow enough rice, many villagers had to travel to previously old and abandoned fallows or forested areas to escape official invigilation. Fallow periods were reduced to three or four years from a regular average of seven to fourteen, leading to insufficient soil rejuvenation and lack of biomass for forest regeneration.

Under hegemonic lowland notions of permanent agriculture, only paddy cultivation, gardens, orchards and plantations are acknowledged as legitimate land uses, while swidden techniques such as foraging, hunting, gathering and cattle grazing were underestimated or simply ignored outright. The land use rights of northern shifting cultivators not only became 'invisible' to the state as the boundaries of 'fiscal forestry' became more visible and pronounced, but the original purpose of the LFA – to issue temporary land use certificates to upland farms, was negated as many did not meet the 'permanent criteria for land uses' (ADB 2001). The ability to contest the emergence of exclusive zoning and use rights by local communities was limited, and reflects the limited consultation and participatory process of input which should have occurred in steps 3-6 of the LFAP. As a result, villages became administratively isolated and alienated from each other and from the common resource practices they had used. Swidden farmers were handed a *fait accompli* to reform their livelihood system if they wished to be granted TLUCs, or leave.

Land and forest allocation did not provide tenure security for ethnic minorities, but rather contributed to new insecurities as their practices were rendered illegal. Demarcation of village boundaries during the zoning phase was often hurried or not achieved with mutual consent, giving rise to inter-ethnic and village disputes to common property resources outside village boundaries, such as symbolic spots and non-timbre forest products such as insects, mushrooms and wild herbs. That the former classification of space through the eyes of local communities came into direct conflict with new definitions of land reforms generated serious hardship, impoverishment and displacement beyond what was imaginable by both the GoL and aid agencies. There was significant loss of arable land generating significant out-migration movements and land conflicts elsewhere. Loss of arable land generated food insecurity to such a degree as to force populations to rely more on forest products for survival. Illegal logging continued and began to flourish given local discontent and vulnerability to outside commercial interests. Desperation opened up new swidden fields and a land market developed with dramatic consequences for rural society and the environment alike. The new land management reforms actually created weakness in conservation efforts both institutionally and organizationally, as new migrant areas from LFA out-migration were not efficiently or community-controlled once communities had been disbanded and uprooted.

The State Planning Committee and various other ministries themselves became concerned over the direct and indirect side effects of LFA as they had unleashed upon themselves a bevy of conflicts, movements, and market exchanges they had neither the organizational capacity or institutional know-how to control. The new land allocation system generated as well as aggravated poverty, and in most northern areas had appropriated arable land without allocating adequate substitution. Laos thus became a country of 'land abundance' to foreign interests at the same time which a national anxiety over 'land scarcity' began to develop. The first urban participatory poverty assessment in Laos was undertaken in late 2000, roughly half a decade after the introduction of rural land reforms among seven areas of Vientiane and 750 poor households. The study found that, 'the poor are an extremely heterogeneous group, [with] very different capacities and opportunities and a range of different living conditions' (ADB 2001, p.17). What was also found was that the rate of decline in poverty had been slower in urban than in rural areas: 3.1% vis-à-vis

4.9% ; with conditions in urban areas more favourable than rural areas for income earning, the results point to economic growth being distributed more unevenly in urban areas and to, ‘the strong possibility that there has been considerable geographical relocation of poor populations from rural areas due to extreme spatial turbulence’ (Rigg, 2005, p.83).

3.4 Putting People in Their Place: Focal Site Resettlement

The shrinking of arable rural land dovetailed with the GoL’s Focal Site strategy, which was endorsed in February 1998 but stretches further back to the Prime Minister’s calls for ‘integrated rural development’ in 1994. The focal site program created ‘integrated rural development’ clusters located, ‘in the most deprived areas where presently there are no or only minimum development activities taking place’ (Lao PDR 1998: 5). According to the logic of the GoL’s information campaign, focal sites were designated ‘development centres’ for rural areas by providing food security, encouraging commercialization of agricultural production, eliminating shifting cultivation, improved access to development services, and poverty alleviation. In practice they were resettlement villages, whose number rose from 58 in 1996 to 87 by 1999 (UNDP 2002, p.48). The criteria for selection into focal sites explicitly targeted ethnic upland-dwellers through 5 measures:

1. Criteria related to ethnic minority people living in isolation and poverty
2. Criteria related to development potential
3. Criteria related to the need to stop shifting cultivation and consolidate villages
4. Criteria related to people who participated in the Revolution
5. Criteria related to the need to ensure security, peace, and stability

Although the Land Forest Allocation program was initially designed to grant village ownership of local forests for prevention of illegal logging, it eventually became paired with Focal Site strategy as upland villagers practicing shifting cultivation were resettled, sometimes involuntarily, in focal sites where government services in the form of schools, health centres, and road access were promised. By the end of 1995 most provinces had identified focal sites for development and submitted budgets to the central government.

Area based development is not new in Laos, however these two policies combined represented a new modality to rural development aims as village resettlement on such a scale had not been achieved outside of war-time hostilities, when at least half the population had circulated. The LFA and Focal Site strategy taken together represented both territorialisation – the extension of state power and control over space, people, and resources – and deterritorialization of livelihoods, as local people are removed or separated from spaces and places in the physical sense, and sometimes from each other. The dual processes of territorial control and rift have worked to place increasing pressure on land, as reduction in land holding sizes occur when population increases due to resettlements and population growth. It's estimated that the average family farm in northern Laos declined from 17ha to 13 ha, with decreasing plot sizes per family and little to no improvement in agricultural productivity. The livelihood impact of the Focal Site strategy combined with LFA on northern families has been devastating. A 1997 UNDP study of 67 resettlement villages in six provinces, including a survey of 1,000 households and 25 ethnic groups found (UNDP, 1997):

- land for permanent field agriculture in resettlement sites was scarce
- a significant number of resettlement villages did not have functioning schools
- morbidity increased during the first few years after resettlement, reflected in a high death rate
- paddy-fields were not always successfully established, and in the north shifting cultivation continued despite resettlement
- knowledge of wet rice agriculture was lacking
- draught animals to work the land were scarce
- the dislocation associated with resettlement led to 'brutal' cultural rupture

The Akha families I encountered along the banks of the Ngam Ngum river by Pako village outside Vientiane had been resettled to the area in 1999, transplants from the northern Luang Namtha province near the Yunnan border. They had been allowed to establish their own village rather than resettlement to a camp, however the village was not administratively categorized as an official resettlement village and they were still considered 'migrants' compared to the lowland Lao families on the left bank who had mostly been in the area for thirty years. Some right bank families got by through a mixture of contract farming of tapioca for a Chinese agribusiness firm, illegal foraging, semi-subsistent farming on the slopes along the riverbank and illegal fishing in the cover of night. They lived in traditional wooden homes on stilts in contrast to their lowland Lao compatriots across the river bank who inhabited cement homes marked by the presence of motorbikes along the main sandstone road. 'They got electricity (over there on the left bank) by trading timbre with private city residents' (VC3, 2013). Six century old trees remained on the right bank from which elder women foraged for herbs, insects and other forms of subsistence termed 'non-timbre forest products' in policy discourse. 'I worked in Thailand on a construction site for two years – it was very hard work, I'm glad to back…there was more forest when I was young, less need to earn money' (VC3, 2013).

The situation of the Ban Pako Akha who had been relocated in the 1990s was significantly better than that of more recently resettled villages of the River Ou, the largest inland river in Laos which converges with the Mekong near the ancient capital of Luang Prabang. Samakhexay village, a cookie-cutter relocation camp built to house at least 700 of the families which had been relocated, provided no land to grow food and no means of earning cash outside of working gruelling 12-13 hour shifts for Sinohydro- the Chinese state owned hydropower company and largest in the world. In effect, male Samakhexay villagers earned cash as seasonal labourers in the building of the Nam Khan 2 and 3 dams, the same dams that would place their villages underwater. 'There is not enough food; this year we did not celebrate our usual festivities because we couldn't afford to buy everything' (VA4 2016).

Officials in Phonexay, Xieng Ngeun, and Ngoi – the poorest districts in Luang Prabang province – as well as central government officials shared similar views of village resettlement as a source of development and a necessary sacrifice (borne by others), affirming the need to limit terms of access for shifting cultivators with the following rationale, '…And what is the next generation going to do? That way of living has one generation left, if that – what kind of living can their children make?' (O33VA, 2016).

From Conservation to Commercial Concessions

In the intervening years since the implementation of the environmental regulatory framework of the 1990s, land concessions – land lease or custodial arrangements from public officials to companies responsible for investment, cultivation or construction – have increased by a factor of 50 between 2000-2009 by conservative estimates. Within the span of a short decade after the implementation of the LFA, by 2009 nearly 13% of total land area was placed under investment, with many more large-scale land projects slated for development . Belated efforts to collect information through a state inventory of land leases and concessions began in earnest in the late 2000s at the urging and funding of European non-government institutions working through the Department of Forestry. Geo-spatial mapping data has since confirmed that outside of mining and hydropower, most land concession investment occurs on land categorized as 'protection forest' rather than 'production forest' and that the largest tracts are granted in the most remote areas while small and medium parcels are located closer to roads; large tract concessions commonly benefitted from a wait time of weeks for approval compared to small and medium parcels. Though it would be expected that investment would occur in areas categorized for 'production' where accompanying regulations encouraged and permitted commercial activity, the granting of large tracts on primary forest land designated for protection signals both the desire of foreign investors to log or sub-lease concession rights for logging of valuable primary timbre, and the political feasibility of doing so, particularly in areas where primary forest had historically been naturally 'protected' by the practices of shifting cultivators.

Throughout the 2000s-land boom in Laos, as there was unclear division of responsibilities between central and provincial levels in concession granting, investors vertically 'forum-shopped' by turning to provincial authorities to expedite their land search and to gain concession approval (as the Lao 'land frontier' began to narrow for late arrival investors, the trend reversed in the other direction as discussed in Ch. 4 and 5- latecomer investors sought assurances for their own land claims and enforcement of contracts by dealing directly with central authorities). Once a contract for exploration or access rights was granted at the provincial level, foreign investors still often needed to go to the district and village level to identify and negotiate the actual tracts of land; it is here that district and village level officials utilized their LFA administrative powers of exclusion to re-designate communal lands for concession development. The pattern of socio-spatial targeting of ethnic minorities and ethnic-minority-inhabited areas is mirrored in the pattern of investment; majority lowland Lao-Tai were more likely to be investment partners with foreign investors in domestic deals or joint ventures than any other ethnolinguistic group, although Mon-Khmer populations were large in the south and featured prominently in large-scale concession deals with Vietnamese rubber investors in southern areas. Contemporary studies of more recent resettlement continue to confirm the overrepresentation of ethnic minorities and shifting cultivators within resettlement communities with a decline in livelihood quality (Boillat et al.,2015).

3.5 Conclusion

Margaret Somers has discussed the notion of 'stateless people' to discuss gradations of unequal citizenship rights in the same territory. The notion is based on the Polanyian triadic notion of people, states and markets and the erosion of civic rights, according to Somers, is a result of market determination of civic 'value' rather than civic entitlements. By the end of the 1990s, the erasure of the highland peasantry through internal resettlement marks the beginning of what was to be called the 'Golden Decade' or 2000 triple boom in resource-based land concessions. The installation of instruments of state control and commodification at the behest of conservationists allowed the entry of small and medium foreign investors to enter Laos via cross-border concessions under the Land to Capital policy directive. The hierarchal governing structure of Laos deconcentrated administrative system combined with DAC sponsored legibility legislation enabled the central government in a form of Weberianism 'with Lao characteristics' to extend via delegative development, control over territory to solidify its new state-sponsored developmentalist ideology in the reform period. The policy objective of mass resettlement was fulfilled by a convergence of subnational officials fulfilling the Land to Capital directive and the policy diffusion of external conservation actors and the transference of institutional isomorphism in spatial zoning. Mass highland resettlement formed one part of a chain of removal to make way for concession-making, but also became an organizing objective for which to mobilize the new developmentalist ideology. This was to be the first step in a giant leap towards land commodification led by the new Lao state capitalists.

Chapter 4

Opening the Floodgates
Big Hydro & the Rise of Private Finance

Introduction

Contemporary Mekong Asia is seeing a revival of regional energy investment and a renewed building boom in the hydropower sector at an unprecedented rate; this investment differs markedly from previous waves of foreign investment because private business groups originate primarily from inside the Mekong region against previous OECD investors organized through DAC multilateral institutions. Mekong Asia's new wave of hydro-developers are voraciously developing large-scale transnational construction projects at speed, while steam-rolling domestic and foreign social opposition and circumnavigating host nation environmental impact regulations. Neoclassical views represented by international development institutions, particularly the Asian Development Bank and World Bank, paint the rise of regional energy investment as proof of regional political and economic integration led by private actors created through post-1997 AFC restructuring.

A closer look at new regional investment patterns and project details however, reveals something different and disturbing: the formation of asymmetric and exclusive bilateral power agreements between latecomer Laos and larger, more established, and more economically powerful cross-border states, agreements made in the guise of private investment.

Rather than forming a regional power trade market as previously envisioned by multilateral development banks (the original architects of the proposed 'Greater Mekong Sub-region' Initiative), regional state-backed business consortia from the wealthier countries are investing solely in power generation projects designed to benefit only themselves, the investor/purchaser countries. They are setting up agreements to export power back to their countries of origin for between 25 and more than 50 years, with no investment in Laos for host nation transmission or distribution lines. For Laos- which does not have a national transmission grid of its own- the current agreements for energy development preclude third party access to transmission systems constructed by power developers , not even by the state utilities of the host country, - an exclusion which makes very clear the neo-mercantilist nature of asymmetric Mekong 'south-south' relations. The benefits to Laos are unclear, to say the least.

The neoclassical vision of mutual and reciprocal development through regional market integration has in practice come to reveal regional jostling for spheres of influence and highly unequal, exploitative relations between a very late comer host nation such as Laos, and countries that are only slightly further ahead on the late development ladder (Thailand and China). This contemporary phenomenon, which I call *proximate dependence,* invites a revisiting and updating of classic centre-periphery formulations of dependency while retaining the tradition's core concerns over the nature of uneven and exploitative two-party relations – *how* the 'second image' *becomes* reversed (Gourevitch 1978; Waltz 1959).

The question of why private consortia pursue mega-development projects in Laos and how they gain entry is more thoroughly examined by also adopting a developmental state lens, as this way of looking at the issue highlights the state-backed historical underpinnings, workings and motives of contemporary Mekong private investment. Despite claims to the contrary, the developmental state in Mekong Asia is not 'dead' (Haggard 2015). However, I contend, it has certainly taken a financialized turn and re-emerged in privatized but not liberalized guise following post-AFC re-structuring.

In the case of Thailand, for example , so-called private Independent Power Producer (IPP) spinoffs from state restructuring still retain majority state ownership; they regularly rotate executive management in a revolving door between state energy and defence agencies, the state utility authority, and the boards and executive management of IPPs; and most importantly, the diplomatic powers of the investors' states are deployed in the cases of both Thailand and China (Ch. 5) in bilateral negotiations with the Lao central government and party officials using politics to mediate the entry of state-backed private consortiums. Before his ousting and exile from Thailand, former Prime Minister Thaksin Shinatwatra explicitly referred to IPPs as part of the 'go out' strategy of Thai economic 'national champions'(The Boston Consulting Group (BCG), 2003). So, the definition of 'Independent' in the case of the Thai power producers is an interesting one.

The discussion in the ensuing chapter highlights an oft neglected and unaddressed facet of the classic developmental state literature, the *external relations* of developmental states. Earlier developmental states in Mekong Asia – Thailand, China and to some extent Vietnam – benefitted from the state-led development paradigm of Bretton Woods-era aid to gain regional 'early mover' advantages in the development of state owned utilities and vertically-composed national transmission systems which they now deploy across borders to further their own *national* energy security interests. A neoclassical 'regional integration' perspective had obscured the national dimensions to regional private investment until the early 2010s, when national business consortiums boldly made themselves more apparent in cross-border hydropower investments in Laos and began challenging transboundary issues associated with the mainstream Mekong waterway (which runs through six countries).

This chapter locates the roots of the contemporary rush in Lao hydropower development to the introduction of private finance initiatives for public infrastructure organized and introduced under the aegis of multilateral development banks (MDBs), particularly the World Bank and the Asian Development Bank in the 1990s. The Build-Operate-Transfer (BOT)-IPP model of private financing for public infrastructure through long-term concession agreements was initially organized and introduced in Laos through the convening power and bureaucratic expertise of multilateral banks; crucially, it provided a model and pathway for later foreign penetration and internal colonization of Lao environment and society by regional state-backed business consortiums.

I contend that in early 'first wave' hydropower BOTs, multilateral banks supplanted the Lao state and used foreign experts to negotiate, monitor and enforce contracts with the private sector. Following the Lao experience with the World Bank's marquee building of the enormous Nam Theun 2 dam project- one of its biggest and most controversial projects globally –the Lao state deliberately revised its internal national strategy for hydropower development to deal directly with private business groups and began negotiating BOT projects on a case-by-case basis. BOT initiatives, as variants of PFIs, are notoriously difficult to negotiate well and require skilled bargaining and expert knowledge in negotiating with private developers. I argue by sidelining MDBs and selectively pairing with cross-border private consortia to fast track many large-scale projects, the Lao state has suffered from its weaker bargaining skills, lack of expertise and of manpower.

The Lao state in its re-orientation towards regional investors has taken on a high level of non-recourse debt. It has also accepted loans over grants to finance its equity stake in projects, while its equity share in hydropower projects has consistently declined over the last decades- in no project after 2009 has the Lao state held up to, let alone beyond 20% of its project's shares. The case-by-case approach to negotiation has resulted not only in lack of coordination and planning in the building of projects, but also the biased pursuit of large generating projects which carry higher social and environmental risks and impact compared with alternative energy options. There are no Chinese, Vietnamese, or Thai hydropower firms which have adopted the Equator Principles, the minimum benchmark for social and environmental risk and impact assessment which has been adopted in 37 other countries by 97 institutions. Laos has decreased environmental oversight since switching to its 'second wave' hydropower BOT trajectory. While its criteria for evaluating how private consortia gain state concession agreements remain opaque, as Laos does not operate a transparent competitive bid system, I draw on elite interviews to yield insights into these two-party relationships, which are based on what I describe as a strategy of patient politics by the host nation contrasted with the impatient capital of cross-border investors.

Lastly, through an analysis of shareholding structures of 'second wave' projects, I argue that recent cross-border hydropower investments in Laos represent speculative behaviour on the part of project developers and purchasing states who seek to enhance the stock market capitalization of their parent holding companies and maximize returns on investment within the project development cycle. Today in

Laos, seen from the outside, large-scale hydropower projects have become financial assets to outside entities. The origins of this phenomenon lie squarely with the introduction of new investment devices and the formation of Special Purpose Vehicles pioneered and installed through World Bank leadership under its flagship NT2 project. The complex investment model used to finance the sheer scale and cost of NT2 along with the attendant regulatory reforms spearheaded by the Bank opened the floodgates for regional business consortia to follow suit in developing their own large-scale investment vehicles in Laos.

The chapter proceeds as follows: first, a discussion of the BOT-IPP model and hydropower development in historical perspective. Second, a discussion of first wave hydropower development. Third, a discussion of second wave hydropower development. Then some concluding remarks.

4.1 Financing Public Infrastructure: The BOT-IPP Model in Historical Perspective

The BOT model of financing public infrastructure projects through long-term concession agreements with foreign private firms was organized and introduced in Laos through the convening power of multilateral banks; it may even have taken its specific form as a method of policy exportation to advance the services of firms in European donor countries as it has in other sectors (Holden 2009).

Multilateral banks claim that BOT projects enable the funding of public infrastructure without increasing public borrowing or raising taxes. Critically, the BOT-model was also implemented because it provides for off-balance sheet financing of projects, therefore not affecting the credit of shareholders or the contracting government; in return private lenders gain a much higher margin of return than through normal corporate lending practices (World Bank 2016). The World Bank justifies high returns on investment (ROI) to private actors on the grounds that lenders take on higher than normal project risks with public BOT schemes. However, as will be illustrated through various examples in this chapter, the economic, social and environmental risks of large-scale BOT projects tend to fall on host state local communities and host state governments; BOT schemes, I argue, incentivize private actors to pursue the development of BOT hydro-energy projects that may not actually benefit host state societies, and which might not be wanted or needed by purchasing state populations because private actors stand to benefit from the high in-built returns on investment which are politically guaranteed over a long-term period.

BOTs are a variant of private finance initiatives (PFIs) first developed and implemented in the UK in the 1990s following the rise of New Public Management thinking. According to the UK treasury, PFI schemes allow the financing of public projects through long term contracts with the private sector to build, operate, and manage public facilities as for-profit concessions or franchises. The rationale for the development of public-private partnerships (PPPs) and the public choice school of public policy developed in the global industrial 'north' however, arises out of a post-Weberian, post-Keynesian desire to 'down-size' so-called bureaucratic 'bloat.' In line with the politics of austerity, it has allowed governing regimes in democratic societies to expand or maintain public services without increasing taxes. The advanced and complex systems for negotiating PFI's in the UK involve very robust, transparent and intricate bargaining processes between public sector agencies and private sector contractors. Taken out of this context of public sector reform in advanced industrial democracies, BOTs have been utilized as an instrument by multilateral development banks to substitute the perennial issue of mobilizing savings and investment in developing countries with private investment rather than aid. Unlike the PFI schemes in the UK from which BOTs are derived, BOT-IPP schemes implemented in Mekong Asia place the public interest of host state nations in the hands of foreign interests- be they foreign private actors or foreign governments acting in tandem with private actors – a significant difference from PFI schemes.

The question of how to finance expensive and large scale public projects however, has been a perennial topic for states from early on. Gerschenkron's formulation of the financing conundrum yielded observations regarding the development of long and short term banking in 19th century Germany and France, and the role of the state in mobilizing savings in more draconian fashion in relatively 'more backward' Russia . The case outcomes from Gerschenkron's economic history were national forms of financial mobilization channelled through national banking systems, domestic private actors or the bureaucratic arms of the state itself. Post-WWII development economists took up the question of public financing in contexts of low to no national savings and investment in the post-colonial world, and responded to it with Bretton Woods provided aid as a substitute for savings and investment. Having drawn positive experiences from the success of the post-war Marshall Plan, the finance gap approach of the Harrod-Domar model spurred Bretton Woods institutions to loan or grant aid to developing countries under a state-led approach to development. It's in this post-WWII period that the vertical public utilities of Mekong Asia's current powerhouses were financed and built.

The first World Bank developing country loan in 1948 following European Construction was to Chile and it was for hydroelectric dam construction; this was followed two years later in Asia as a power loan to India; Japan's first loan was for power plant construction (Williams and Dubash 2004). Electricity has been a vital component of World Bank lending since the Bank's inception, and electricity sector assistance to national governments in Asia formed a core role in US bilateral aid programmes in the postwar era. World Bank power sector lending was its single largest and longest activity in developing country governments for over thirty years until it began a moratorium on dam lending in the 1980s following widespread criticism and activism from India to Latin America over the social and environmental impact of large dams. By 1980, South and East Asia accounted for forty percent of all power sector lending with Indonesia, Thailand and India amongst the top recipients in the world (Collier 1984).

US aid and commerce were part and parcel to its Cold War strategy, and its bilateral aid to the countries of Asia for power sector development was a direct consequence of anti-communist foreign policy. Electricity assistance through USAID formed part of counter-insurgency in a number of ally countries during the Cold War, notably Thailand, the Philippines and Indonesia. Rural electrification in these countries served as part of counter-insurgent strategy, while the Soviet model of centrally planned electrification also influenced Asian electricity development in China, North Korea and non-aligned countries via engineering culture and technical assistance programmes which educated engineers from across socialist Asia. By the 1950s the USSR was the second in the world in electrical capacity and production headed by the State Commission for the Electrification of Russia (GOELRO). In a remark that would echo in latter day market socialist Asia, Lenin's prioritization of electrification was once captured by his definition of Communism as, 'Soviet power plus the electrification of the whole country' (Williams and Dubash 2004).

Importantly, in the post-war period private utilities were nationalized and consolidated into large, vertically integrated state owned utilities (SOUs) in conformity with the prevailing convention. Thailand's Electricity Generating Authority of Thailand was founded in 1968 as a monopoly, eleven years after the first dam at Yanhee in 1957. The Public Electricity Authority and Metropolitan Electricity Authority formed distribution monopolies. A similar system of vertically integrated monopolies were established soon after European reconstruction in Indonesia (1950), Taiwan (1945), and Malaysia (1963); China's provincial electricity ministries were also founded in 1950 with the central government running large generating plants while provinces operated grids (Collier 1984). Under state leadership, by 1990, Asian electricity production had grown by a factor of 40 and accounted for 20 percent of the world total (Williams and Dubash 2004).

Lao PDR was thus a very late arrival on the hydropower investment scene. By the time Laos emerged as a fledging new republic, cash-strapped and facing the decline of Soviet assistance at the end of the 1980s, other countries in the region had completed the construction of their state-owned utility grids at the end of the Cold War. This distinction between US-aligned Cold War allies and the development of highly vertical state owned monopolies in Thailand, Malaysia and elsewhere, contrasts with Lao PDR, which had largely missed out on Cold War electricity development. It shapes the contemporary disparities and relations between Thailand and Laos around hydroelectric development.

The response to the question of how to finance large-scale public projects in developing states by the 1990s – through private sector involvement – was thus a pivotal departure from the history of state-led public utilities planning which had marked the 'national system' approach of the Bretton Woods era. Today however, even in the United States where the original Tennessee Valley Authority model was pioneered and exported elsewhere, the notion of privatizing transmission lines and substations has been floated in the Trump administration's proposed selling of the Bonneville Power Administration, a federal agency responsible for nearly half the country's electricity generation.[45] The public justification for privatization remains the same in Laos as in the US – the promise of lowering costs to taxpayers while improving efficiency. The difference however in Laos is that privatization was a pre-condition ex ante *for* projects to be built. Private actors were also not domestic business interests, but rather foreign private firms. For latecomer Laos, financing for public infrastructure wasn't a question of whether or when to privatize, but whether to accept public-private finance packages on offer by multilateral banks, and even then, the 'public choice' rationale in Laos did not involve much choice as PFI's were organized and introduced as part of a broader agenda of neoliberal aid and domestic reform.

By 1993 over half of Lao PDR's domestic revenue came from foreign grants and eighty percent of state public investment came from foreign aid (UNDP 1997, GOL, 1997). Dwindling Soviet economic assistance at the end of the Cold War gave reason for the Pathet Lao government to shift reliance towards western multilateral development institutions such as the Asian Development Bank and the World Bank (MDBs). Its per capita debt load outpaced per capita GDP in 1993 by \$140 per person (\$500 to \$360 respectively) (GOL, 1997). Cash strapped and aid dependent, Lao PDR's turn to the west coincided with the 1992 mega-launch of the Asian

[45] (K. Johnson 2017).

Development Bank's gigantic multi-billion dollar Greater Mekong Subregion (GMS) program, a colossal vision aimed at creating a unified economic space from southern China all the way to the bottom of Thailand geographically and socio-economically integrated by 'east west' and 'north south economic corridors' (EWEC / NSEC) in transportation, energy, and telecommunications. The ADB-led GMS project involves 5 states and 1 provincial entity of the Mekong delta basin: Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, and the Yunnan Province of the People's Republic of China.

Laos occupies a unique geographic, geopolitical and economic position within the GMS basin project. It is the only ASEAN country that sits almost entirely within the Mekong Basin, with the river gaining 35 percent of its flow within Lao borders, more than any of the tributary states combined (Hirsch, 2002). Laos' position between two major economic nodes- Bangkok and Kunming- place it strategically in the middle of the spatial North South Economic Corridor (NSEC) project and at the geographic centre of the GMS's broader energy grid, leading the ADB to discursively refer to Laos as the 'crown jewel' of the GMS infrastructural grid, with the added coinage the 'battery of Asia.' The metaphorical image of the battery – as an object or tool with inserted functional purpose to energize a larger being- connotes the subordinate and instrumentalized position Laos occupied vis-à-vis GMS neighbours in the eyes of the ADB and the broader East Asian and global circuits of capital who formed the ADB's institutional backers.

The ADB and other donors looked to a Laos emerging from postcolonial and socialist Cold War orientation to quickly develop its hydropower capabilities to, 'enhance foreign exchange earnings through export of electric power from LPDR to

Thailand' (ADB, 2013). Transforming Laos into the 'battery of Asia' began at breakneck speed. The ADB had already succeeded in a partial liberalization of the ASEAN region's power sector through the GMS program, providing an increased role for private-sector energy, finance and construction companies within the process of hydropower development. Thailand had reached the environmental and social limits of state-led hydropower dam building within its own borders, leaving Laos as a prime candidate for hydro-energy for export to neighbouring buyers.

The matter of the ADB's 'partial liberalization' of the ASEAN region's power sector merits further discussion however, and will be returned to later in this chapter, as later shifts in political headwinds towards a re-assertion of economic nationalism following the Asian financial crisis, particularly in Thailand, would go on to influence the 'go out' strategies of private firms which led the second wave of hydropower investment in Laos.

4.2 First Wave Hydropower BOTs

Shortly after the 1991 constitutional re-birth of Laos as a market-oriented state, by 1994 it embarked on its first experience cooperating with regional neighbouring countries and private investors in the development of the Theun-Hinboun dam in the eastern-central region of Laos.

The Theun Hinboun Power Company (THPC) was formed through a shareholder agreement between the Lao government, MDX Lao Public Company a Thai firm, and Nordic Hydropower AB under a buy-own-operate-transfer (BOOT) scheme which allowed for financing through private investors with the completed dam to be operated as a private enterprise. The GoL made Electricite du Laos (EdL) a 60 percent shareholder in the project with the other two companies holding 20 percent each.

The financing arrangements for the Theun-Hinboun project and the introduction of the BOOT scheme reflected Laos' inability to finance hydropower development on its own, and the unequal and subordinate terms with which it joined the GMS energyscape. According to an Electricite du Laos official, 'we would have preferred a soft loan to develop our projects, like the way EGAT (Electricity Generating Authority of Thailand) has developed its own hydropower projects. Both the World Bank and the ADB said they do not have money for large-scale projects in Laos. If you are poor you don't have much of a say. That is the price to be poor' (Pholsena and Banomyong 2007, p.90).

The Theun-Hinboun project was the first dam to be commissioned under the coordination of the ADB in Laos following the revolution. Completed in 1998 under budget and ahead of schedule, it was widely criticized for having neglected environmental and social safeguards in its quest to supply electricity to neighbouring Thailand. At its completion, the Theun-Hinboun was a 25 meter high dam on the high elevation Theun River, with a power station located 5 km south on the lower Hai-Hinboun river which receives water output from the powerhouse. Compared with grand dams like China's Three Gorges, the Theun-Hinboun is a modestly small dam which did not require formal resettlement of neighbouring villagers and was considered by the ADB and its developers as sustainable- so sustainable that the company declined options for riverbank armouring against erosion, arguing that it was premature, too expensive, and understudied. This resulted in significant erosion in the lower river and a dramatic change in aquatic life due to heavy sedimentation of the river bed, loss of light, and increased rice field flooding at accelerated rates .

The Theun Hinboun galvanized over 30 environmental groups internationally in opposition, turning Laos into a contested terrain between the hydropower development and environmental lobbies (C Middleton et al. 2015). It took the THPC over two years to acknowledge social and environmental impacts after sustained NGO protest to the ADB instigated two ADB field visits which resulted in reports declaring lack of sufficient information regarding environmental damage, and two THPC internal reports – one which found evidence inconclusive and the second which was cancelled by the company for its conclusions (FH2, 2014). The company insisted that changed riverbeds were not caused by excessive rice field flooding, while villagers on the other hand were forced to abandon *naa siang* – a term developed by villagers to mean 'risky fields' due to dam flooding and erosion. Over 3000 people in sixty villages were affected to varying degrees by the loss of access to fisheries, paddy land and self-initiated resettlement of villages further downstream. The GoL initially agreed to take all social and environmental risks for a one-time payment of $600,000, resulting in a sustained advocacy campaign which saw the THPC, at the behest of the ADB, re-absorb the project's environmental risk through the establishment of an internally managed and staffed Environmental Management Division with a 10-year, $10 million budget to pursue socio-economic mitigation intervention in a number of villages but not ecological work to repair species habitat, increase biodiversity or water quality.

Not all first wave developers, in fact very few, re-absorbed the projects' environmental risks back into their companies the way the THPC project did under the eye of the ADB and environmental pressure groups. The opening up of Laos' hydropower industry resulted in a flood of Memorandum of Understanding (MoU) requests to the beleaguered Ministry of Industry and Handicrafts (later changed to the Ministry of Energy and Mines) from independent power producers (IPPs) keen to profit during the pre-1997 Asian economic boom in offshore lending. The surge of investment interests presented a number of challenges to the GoL. Inadequate experience with private sector investors and the complex risks involved in large-scale projects in the 1990s resulted in a number of bad investment deals (LPRP official, pers. comm. 2014). The IPP/BOOT model introduced to Laos in effect leaves the Lao state and least empowered citizens to shoulder the financial, social and environmental risks associated with large-scale investment projects at the mercy of different levels of investor responsibility, a trend repeated across a number of other resource development sectors.

The Houay Ho Dam is an example of a first wave investment project gone wrong without the complicity of MDB involvement. It lies 160km east of Pakse in the south of Laos and was completed by Daewoo Engineering and Construction which owned 60 percent of shares, while the state owned EdL held 20 percent and a Thai development firm called Loxley PLC owned a remaining 20 percent stake. Following the completion of the dam in 1998, both Daeweoo and Loxely sold their shares to a Belgian and Thai firm, which was then sold to GDF Suez and later sold again to Glow Energy, a Thai IPP over an eleven-year period(Matthews, 2012). The continual resale of the dam reflects large criticism of the developers due to weak social and environmental impact mitigation measures. Houay Ho's Environmental Impact Assessment was completed two years *after* the construction of the dam commenced and resulted in the resettlement of 4,000 minority Heuny and Jrou people who received inadequate land and financial compensation as only a fifth of the land allocated for resettlement was actually available (Khamin, 2008)The concession agreement only obligated Daewoo, the original developer, to make a single payment of $230,000 for social and environmental impacts, leaving the GoL to deal with resettlement disputes and ongoing food insecurity issues. The project has had difficulty delivering on its electricity export agreements with EGAT in Thailand because of overly optimistic projects prior to construction.

Greenwashing Blue Gold: Nam Theun 2, the World Bank, and Finance for 'Green' Development

The Theun-Hinboun and Houay Ho experiences were formative for Lao state officials, who were unaccustomed to such negative scrutiny and campaigning by international environmental NGOs. The GoL's credibility to lenders and NGOs were soon to receive a boost by the World Bank on the heels of the ADB-THPC experience. Long having suffered criticisms for its handling of hydropower development in other parts of the world, the World Bank entered the Lao hydropower scene with a view to developing a project which could be used as a prototype for modelling mitigated risks in future big-dam projects in poor countries and re-booting its own image in the process. In 1993 it proposed a $1.2 billion project called Nam Theun 2, which it aimed to exemplify as a model of 'sustainable hydropower' marrying environment and development as possible complementarities in the spirit of the 1987 Brundtland Report ('Our Common Future') which introduced the term 'sustainable development' into the political sphere of international development to suggest a way of balancing the opposing tensions of global ecological degradation and economic growth. NT2 was to demonstrate, 'the Bank's achievement of socially and environmentally responsible development' after a ten-year hiatus from the hydropower sector (World Bank, 2002). The World Bank was set on creating a 'clean, green dam' in Laos that would meet the Bank and ADB's environmental and social safeguards, pouring further conditionality and technical assistance money into the country to create what Goldman (2001) has described as a form of green neoliberalism or 'eco-governmentality.'

The social and environmental stakes associated with Nam Theun 2 were tremendous. The dam, since commissioned in 2010, floods forty percent of the Nakai Plateau, one of the most richly biodiverse areas in Southeast Asia. The Nakai is home to over 400 bird species, eight of which are globally endangered, and 14 endangered large mammals, including the saola or 'Asian Unicorn.' The dam was projected to cause disruption and loss of livelihood to 6,200 farmers upstream and over 100,000 rural poor downstream. NT2 amounted to an upfront uprooting of nearly 2% of the entire Lao population, already one of the poorest in the world, whose livelihoods were further diminished by the project in the name of poverty alleviation.

NT2 received financing by a consortium of 16 commercial banks composed of nine international banks and seven Thai banks (NTPC, 2014). The 30-year terms of lending by commercial banks received assurances against sovereign risk through the World Bank's Multilateral Investment Guarantee Agency. Electricite du France (EDF), an international brand with recognized expertise, Lao Holding State Enterprise(LHSE) a state owned company which develops energy for export, Thai-based Ital-Thai Development Company and EGCO – a Thai independent power producer (IPP) and subsidiary of EGAT hold a respective 35, 25, 15 and 25 percent split in NTPC shares. EGAT not only supplied the demand to justify the development of the dam, but its subsidiary EGCO was involved in negotiating the terms of the purchase on behalf of the consortium. EGAT may therefore have operated under perverse incentives to overprice its own purchase of energy (Greacen and Palettu 2007: 103-105), underwritten by Lao and World Bank public funds. The European Investment Bank supplied $45 million in loans alongside the Nordic Investment Bank, ADB, and World Bank to finance Laos' equity stake in the project.

The World Bank's board of directors waited until 2005, after years of delay and controversy, to approve $250 million in private sector loan guarantees and a $20 million grant for the $1.3 billion project, making NT2 the WB's symbolic poster child for its high-risk/high reward return to dam funding. The US executive director on the Bank's board refused to approve the project on grounds of social and environmental risk and because of the financial burden of the project in relation to the size of the Laotian economy (Rich, 2013). The Bank's quarter of a billion dollars of guarantees for the dam were counter-guaranteed by the Lao government, exposing it to huge financial vulnerability for a modest projected earning of roughly 5.2% to its expected revenues over a 25-year period.

The high visibility and political stakes involved in NT2 for the World Bank resulted in a longer time frame for putting together the many vectors that went into environmental and social safeguarding backed by $65 million for village resettlement and development programs (EIB 2005). A number of Laos' investment and environmental laws were re-written at the behest of the Bank and the National Policy on Environmental and Social Sustainability of the Hydropower Sector in Lao PDR explains that the NT2 has, 'been inseparably linked to the development of national legal and institutional provisions for environmental and social safeguards' and has 'defined new environmental and social standards for a development project in Lao PDR' (LPDR, 2006: 11). Legal and institutional preparation for NT2 led to the funding of related government ministries, in effect altering the bureaucratic shape of the state. The level and scale of state reshuffling spurred by NT2 demands is unprecedented. The Ministry of Environment and Natural Resources came into place in 2011 one year after dam commissioning, but had taken years to merge the existing Water Resource and Environment Administration (WREA) with departments from the National Land Management Authority (itself established in 2004) and portfolios from the Geology Department, Forest Conservation and divisions within the Ministry of Agriculture and Forestry. The WREA in its original form housed the Department of Water Resources, the Department of Environment, the Department of Meterology and Hydrology, the Water Resources and Environment Research Institute, Department of Environmental and Social Impact Assessment and the Secretariat of the Greater Mekong Subregion. NT2 related ministries are well funded, staffed by expatriate consultants alongside Lao civil servants, and are housed in newly built and air-conditioned buildings that contrast starkly with public agencies which deal with labour, education or health which are housed in aged conditions of dilapidation from the 1960s during the last round of Indochinese war-related aid construction money.

The MDB-mediated experience with organized investment and large-scale projects constitute Laos' 'first wave' engagement with investors. It gave Lao leaders initial experience in using more powerful actors to mediate their insertion into the regional economy and centralizing rents, even if the terms of financing for the Build-Own-Transfer and private-public partnership schemes left the national economy saddled with debt and worse off in the long run. Laos relied heavily on first wave investors and the World Bank not only for financing, but to model environmental and financial risk, manage the complexity of projects, engage with debt markets and even re-write legislation, policy and set up institutions to convince lenders of its credit worthiness. The impact of this technical reliance was threefold: given the scale, complexity and pressure of the task to 'get it right' because of the financial and political stakes involved, an influx of foreign experts displaced rather than trained local counterparts while also draining away skilled workers from the bureaucracy with better pay and conditions; lack of local Lao bargaining, regulating and other negotiation skills resulted in terms of agreement that were detrimental to Laos in their later dealings with second and third wave investors, some of whom were much less scrupulous than first wave actors. The 'backseat/chauffeured' experience of Lao officials vis-à-vis MDBs and first wave commercial investors has led authorities to privilege large-scale projects to alternatives which might be scientifically and publicly more appropriate, giving bias to large investors' interests.

The NT2 project co-produced the strategic positioning of both the World Bank as a practitioner of 'environmentally sustainable development' and Lao PDR as a country with UN and World Bank-backed legitimacy suitable for investor support in other financing projects. The corresponding triple alignment of MDBs, large commercial interests, and Lao party echelons for hydropower development in this period was critical in establishing a hegemonic paradigm marrying large-scale socio-environmental transformation with a win-win discourse of environmentally sustainable development and 'green growth' in Laos that has provided legitimation at home and abroad for the status quo in the face of widespread objection. NT2 upgrades to Laos' legal and institutional landscape, however, have also created a duality. On one hand Lao hydropower policy and legislation demonstrate the country's commitment to sustainable development while on the other hand a number of projects are built with disregard to the state's own policy and legislation. 'NT2 is a good project and example but the bar is too high, we cannot use it. No developer will say it is possible to use NT2 as a standard' (O20, 2014).

'National Champions' & Privatization without Liberalization in the Making of Thai IPPs

As the World Bank pursued legal and bureaucratic reforms implemented in Laos to prepare it for private hydropower investment, the Asian Development Bank and IMF sought to create privatized Independent Power Producers (IPPs) to operate in their envisioned GMS power market through the restructuring of public utilities in neighbouring Thailand.

From 1985 – 1995 Thailand was the fastest growing economy in the world (C. S. Greacen and Greacen 2004). While Thailand's Board of Investment channelled savings and lending for the state's large priority enterprises, small and medium ventures took advantage of the generous offshore lending boom of the 1980s and 1990s. With the rise of global de-regulation following the 1970s OPEC crisis, Asia became the primary destination for vast capital flows which marked Joseph Stiglitz's 'Roaring Nineties' (Stiglitz 2003). Private investment flows to electricity grew to tens of billions of dollars in the 1990s with Asia receiving over half of all flows by 1995. By the peak in 1997, private investment to developing country electricity sectors totalled over US$40 billion annually, eclipsing all public multilateral finance for all sectors combined (Williams and Dubash 2004).

As the epicentre of the 1997 Asian financial crisis, the economic fallout and subsequent IMF loans instigated privatized restructuring in Thailand which prompted severe domestic pushback. Thailand's power purchase agreements (PPAs) were 'take-or-pay' contracts guaranteeing Independent Power Producers (IPPs) a minimum purchase whether electricity was needed or not, as the risk of fluctuations in fuel prices are passed directly to Thai consumers. Thai PPAs were also indexed to the dollar and shielded against foreign exchange risk, making them highly attractive to foreign capital and exemplary of the Washington Consensus. The US Export-Import Bank and other export credit agencies provided complementary guarantees and co-financing for IPP projects. Following the 1997 Asian financial crisis, high levels of public debt and unfavourable PPAs made electric utilities central targets for restructuring. Privatization sales to buy down debt was a condition of IMF and World Bank adjustment lending programmes however the full privatization of the power sector in Thailand did not come to be due to a number of contingent political factors.

Outrage over the drastic devaluation of the baht, the fall in living standards and long
established rural-urban inequality ushered in Thaksin Shinawatra's Thai Rak Thai (TRT) party following the AFC which reversed the pro-market tide in favour of privatization (Sangkhamanee 2015). By 2003 Thaksin declared the August day in which Thailand had repaid its IMF loans ahead of schedule as an 'independence day'(C. S. Greacen and Greacen 2004). A new mantra of ensuring, 'national efficiency and competitiveness to secure regional leadership….and build strong national champions in the energy sector' replaced the 1990s calls for 'private sector participation and competition to achieve efficiency' (The Boston Consulting Group (BCG), 2003). EGAT was spared from privatization and was recommended by BCG, which it had lobbied to hire, to retain its monopoly power under an 'Enhanced Single Buyer' (ESB) model or monopsony which ensures that any new IPPs have to compete directly against EGAT's generation. The partial privatization of EGAT and its spinoff into Ratchaburi Holdings and EGCO with EGAT holding a majority share in both has cemented its place as a 'national champion' and the notion of privatization without liberalization. Prommin Lersuridej, Thaksin's energy minister at the time supported Thaksin's confidence that the stock market would absorb the mammoth company, ruling out the idea of creating a competitive power market for

fear that, 'in a free market, foreigners come to take stakes in power plants and electricity prices soar.' With the government as the major shareholder, 'the government will still control electricity prices and we can prevent a takeover by foreigners' (*The Nation* 2003).

The rise of Thai nationalist sentiment following the AFC and the 2001 California energy crisis meant that EGAT continued to develop as a regional super-utility as it was able to harness capital raised by listing its shares on the Stock Exchange of Thailand (SET) and expand while its poorer late developer neighbour Laos is far from an equal partner. The official rhetoric used to support the ASEAN grid suggests that partners stand to benefit equally from trade, when the trend following NT2 in Laos has continued to be reflect exactly what Lersuridej feared in office, takeover by foreigners in Lao PDR's private-sector financed hydro-expansion.

4.3 New Actors 'Second Wave' Hydropower Development

In the summer of 2008, Thai construction megalith CH Karnchang signed a Project Development Agreement (PDA) with the Government of Lao PDR (GoL) for a feasibility study into construction of a run-of-river dam on the main Mekong waterway, eighty kilometers south of the ancient city of Luang Prabang in Xayabouri Province. The proposed Xayabouri project proved ambitious in size and location: its estimated 1,285 megawatt installed capacity was larger than the previous marquee World Bank-sponsored Nam Theun 2 project with its 1,086 megawatts.[46] Xayabouri is the first hydropower project proposed for construction on the mainstream international waterway of the lower Mekong river, impacting downstream neighbours Cambodia and Vietnam. A contentious project from its conception,

[46] Lao Dept of Energy Planning & Policy.

neighbouring ASEAN countries, international NGOs, activists and the multilateral Mekong River Commission quickly voiced concern and opposition to the Xayabouri project, slowing down rather than halting construction by two years from 2010-2012. Before the project had even broken ground however, Ch Karnchang through its local subsidiaries, Xayabouri Project Co. Ltd and Ch Karnchang Ltd., had already turned millions of baht in profit through the selling of shares in registered capital to Lao and Thai-affiliated energy and gas companies. The dam is slated for commission in 2019 and has so far managed to quell dissenting voices while progressing at full speed.

Lao PDR has been experiencing a latter day 'second wave' boom in hydro energy construction and project development since the global economic downturn of 2008. A cursory glance at projects actively under construction count at least 22 dams slated for commission before 2020 and at least 23 more projects under development.[47] The Lao National Development Strategy for 2011-2015 mentions hydropower construction a staggering twenty six times, with formal aims for the hydro-energy sector to become the state's main source of revenue by 2025.[48] The eagerness with which the Lao government seeks to develop the hydropower sector for foreign exchange income as well as cultivate dams as symbols of modernization to domestic and international audiences dovetail with the compressed profit-seeking time horizons of neighbouring state-supported construction companies, commercial banks and so-called independent power producers (IPPs) spearheading project development and financing.

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[47] Ministry of Energy and Mines, Department of Energy Business.
http://www.poweringprogress.org/new/power-projects/construction
http://www.poweringprogress.org/new/power-projects/operation
[48] Adamantly confirmed via interview respondent (Sept. 2016).

The Xayabouri project exemplifies an important re-configuration of investment models, business groups and ownership structures underpinning the revitalized energy boom. The actors, incentives, and licit institutional mechanisms facilitating transnational ownership and transfer of hydro-energy wealth in the contemporary period differ markedly from earlier periods of hydropower sector formation in Laos, which was heavily dominated and driven by the interests of international organizations such as the World Bank and Asian Development Bank in the 1990s, particularly in the areas of regulatory reform and state agency expansion. In contrast, regional business actors and Lao state authorities are firmly in the driver and passenger seats of the recent boom. National business consortiums led by private developers are financing, building and buying Lao energy exports on a large scale and changing not only the social and environmental ecology of the Mekong and its varied communities, but are enabled to do so under the contemporary guise of 'green finance' and a wider trend towards large-scale private financing of 'clean energy transitions.'

The 'clean energy' discourse is an extension of the neoliberal 'environmental sustainability' growth agenda pioneered by the World Bank in the early 1990s. However, the environmental sustainability discourse ushered in by NT2 sought to mediate the pro-growth agenda with conservation concerns based on notions of ecological scarcity and negative ramifications such as pollution and destruction of nature. In contrast, the return of second wave hydropower development differs in two ways: it is justified on the grounds of 'green' energy security for countries of the Mekong region, with stability of access to energy presented as a public good, and the development of hydropower as a renewable resource seen as a form of 'clean (green) energy' - a *solution* to invest in, rather than as a source of ecological impact to mitigate against. In this sense, hydropower development following 2008 in Laos is discursively and materially configured as a new variety of 'green capitalism' to the earlier period. Where mainstream contemporary environmental concerns are focused on climate change mitigation rather than land degradation, hydropower is re-positioned as a green 'renewable' solution and site for investment. As such, changes in the composition and structure of financing as well as ownership in the provision of public hydropower infrastructure in Laos reflect a significant shift in the relationship between the state, new instruments of marketization, and financial actors within the new neoliberal 'green' discursive framework and liberalized lending context.

Pivoting Away from MDBs: Soured Relations

'Who wants to deal with the World Bank? No one…just look around!'- Lao government official (2014)

A cursory glance at the hydropower projects currently under construction in Laos yields three immediate observations: most of the projects began after the 2008 financial global downturn; project sponsors mostly consist of companies from neighbouring countries; and the share in which Lao state electricity companies take part in equity ownership rarely exceeds twenty percent. The build-operate-own-transfer (BOOT) model has continued as a template for new hydropower projects since 2008, however the composition of investors and declining equity share held by Lao state enterprises reflects broader changes in the multilateral lending and aid landscapes and the difficulty of attaining lending for public utility companies or state institutions.

Multilateral international financial institutions (IFIs) have shifted from providing financial assistance as investors in projects sponsored by governments or government agencies through loans and grants, preferring instead to provide support through syndicate loans with other financial institutions or directly to projects that are developed by commercial project sponsors. Lao ministerial representatives and government officials presented the receding tide in concessional loans to the Bank of Laos for further lending to state or private domestic enterprises as a souring of relationships and trust on both sides, primarily between the BoL and WB, and the GoL with the World Bank[49]. Sources from the IFC, ADB, and World Bank informally cited an unwillingness to further loans or finance dam projects via state agencies as a matter of policy to support GMS initiatives instead and, '…because (the money) it just leaks…they're (GoL) very good about it though, they show receipts for everything, but it goes into pockets.'[50] Only in the case of NT2, as a marquee project for the World Bank, was the International Development Association (IDA) and Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group involved in providing political risk guarantees to the amount of $42 million. The Asian Development Bank has added to projects through its Ordinary Capital Resources (OCR) or Asian Development Fund (ADF) streams, though most assistance comes through specialized Technical Assistance Special Fund (TASF) authorizations.

A Search for Returns Meets a Search for Finance

> 'They (banks) make more money from one project than 1,000 households or small businesses.' – (FRS5, 2016)

Thai commercial banks have risen as major players in financing Lao energy products due to overhaul reforms and tighter regulations in the Thai banking and financial sector following the 1997 Asian financial crisis. The consolidated number of Thai banks and their pool of savings are spurred by energy projects in seeking

[49] Lao officials interviewed cited sluggish bureaucracy and conflict over timeframe as the primary reason for preferring not to deal with the World Bank following the NT2 project (April 2014, August 2014, and August 2016)

[50] Interviewees, (August 2014, June 2014, and June 2016).

returns on investment. The search for returns on investment by Thai commercial banks dovetail with the search for finance by Lao state authorities in the face withering support by multilateral IFIs for state-owned and state-led public utility projects and a growing preference by Lao state actors for doing business with regionally-based private partners.

The lack of budget support and IFI financing for state-led public infrastructure projects is reflected in the growing role for bilateral and commercial banks in covering 70-85% of project value in the new wave of hydropower projects. The downtown thruway of Vientiane capital, leading from the Prime Minister's residence to the Patuxay monument, modeled after France's 'Champs Elysee,' is lined with local offices of international commercial banks such as Fortis, ING Group, ANZ, Indochina, and Citigroup. Thai commercial banks are inconspicuously present, spatially clustered in between the head offices of the Lao Holding State Enterprise, the NT2 office, and the Electricite du Laos building. 'They are only here to monitor their projects,' remarked a Lao official (O24), explaining why Thai commercial bank buildings in Laos do not contain retail counters, and are usually small austere offices which dot the downtown area in comparison to the big office buildings of their international counterparts.[51]

The readiness and willingness of Thai commercial banks to supply loans for energy projects in Lao PDR coincides with two further points of affinity- the single buyer near-monopoly of EGAT as a primary purchaser and distributor of power within the Mekong region which offers assurances to lenders, and the hurried preference of Lao state authorities for short project time horizons in the energy sector. Despite tough negotiations and low prices offered by EGAT in power

[51] Local source, D1.

purchase agreements, averaging roughly US0.04 cents per kilowatt hour compared to the preferred US0.06 cents or above by the GoL[52], Lao authorities have erred towards favouring concession agreements with Thai project developers due to the 'good credit and trust' developed with Thai construction-banking-energy consortiums and the sharing of transmission lines to deliver power to rural communities within more remote parts of Laos which share geographic proximity to Thailand.

The preference for shortened time horizons for project development by Lao state authorities in the power sector coincides with the terms and model of financing on offer. As the ability to domestically self-finance long-run state infrastructure projects in Laos through domestic banks has been ruled out by autonomous fiscal incapacity and an inability to access concessional lending from MDBs, authorities have become motivated to seek project consortiums who can build quickly and efficiently so that the terms of the BOOT or BOO models expire sooner rather than later. When asked what criteria Lao authorities used to award concession agreements for hydropower projects, a prominent energy official fervently argued that expediency was critical (O18, Sept 2016). Building quickly and efficiently was not only a matter of generating quantity *and* quality of projects for revenue generating purposes, but officials believed that building more projects and building them quickly was equivalent to a race to pull people out of poverty, with one high level official passionately insisting that it was a moral imperative in serving the citizenry, '…it is not fair to keep people poor!' (O18, Sept 2016).

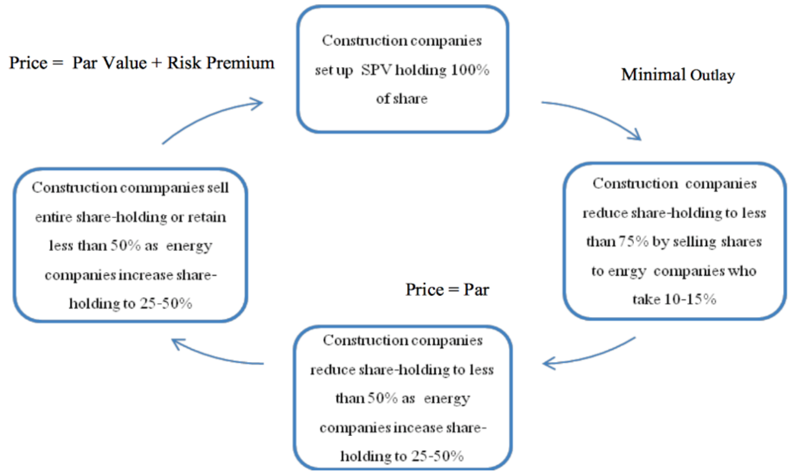
[52] FH1 hydropower official (August 2014, 2016).

The rise of Special Purpose Vehicles (SPVs)

Financiers and energy companies who participate in Laos rely on project sponsors who arrange a feasibility study of a project. Project sponsors hold shares in projects based on changing returns and risks within the span of a project investment cycle. 'Greenfield projects' require investment from the beginning of the feasibility study phase of the project until the issuance of a concession to produce and distribute electricity. Projects then still need to secure funding, develop projects, factor in power plant construction and operational risks. The price or value of shares is the 'par value' of any joint venture (FH2, Jan 2014).

'Brown field' projects carry a high feasibility of development or may be a new project built to replace a former project. Sources of financing in the form of loans and capital for brown field projects are usually clear, appropriate technology exists and there is most importantly a power purchase agreement with the buyer. The price or value of investing in a brown field project may equal the par value plus the 'risk premium,' or the difference in risk that the project has already managed. Once a project begins commercial operations, companies know the income from electricity distribution immediately and therefore the price or value of investment in projects once they have begun operation has a relatively high premium equal to the par value plus the risk premium and calculated future income from the project (FRS5, 2016; FH1, 2016; FH2, 2014) .

Fig. 1 - Investment Cycle for Energy Projects



Central to the investment model of energy projects in contemporary Laos is the role of special purpose vehicles (SPVs) set up by project sponsors for each project. The 2009 Lao Law on Investment Promotion (LLIP) allows full 100% foreign ownership of enterprises. Under the law, foreign and domestic investors are entitled to equal treatment and incentives, although in practice companies involved in large FDI projects in mining and hydropower find it advantageous to give the government partial ownership in concession negotiations. The importance of the 2009 amendment to the LLIP regarding special purpose vehicles is central to coordinating transnational investment from multiple actors for Lao projects and structuring ownership. A Lao government official involved in hydropower development remarked of the SPV amendments:

‘People hear the world ‘socialist’ associated with Laos and they think of the strictness of North Korea, Vietnam or China, but we are very *seri* (‘free’ / capitalist) – we allow full ownership of enterprises, it’s easy for foreign investors to rent/buy land long term, set up joint ventures – they benefit, and we benefit– it means when there is a concession negotiation and we don’t like the other party, we just say, ‘next’(O18; Sept. 2016).’

Special purpose vehicles have separate legal status from the companies sponsoring the project. SPVs are the signatory on contracts, including loan, concession, and power purchase agreements, and contracts for land use, power station construction, and fuel projects enabling them to conduct affairs on behalf of the parent project sponsoring company. Financial sponsors release a syndicate loan, also called 'project finance' to set up the SPV for the project. Part of the terms of the loan agreement signed by the SPV involves the importance of non-recourse debt, which ensures that financial institutions providing the loan do not have recourse to the project sponsoring parent company should the SPV or project default on debt or interest payments. Importantly, as a separate legal entity, loans and payments accrued to the SPV are not part of the financial accounting or balance sheets of project sponsoring companies (FR6, Sept. 2016). Lenders have the right to seize assets associated with the energy project, but not the project sponsoring company in the event of any missed payments, in effect walling off or protecting the project sponsor from financial risk. The next section discusses how SPVs are deployed by project sponsoring companies at various stages of the project investment cycle for the purposes of generating financial returns.

Shareholder Value and the Project Cycle of Profit

Interviews with private and public sector officials working in Laos' hydropower sector converge on the profitability of energy projects:

> 'Post-2008, if you are a financial, construction, or oil company, hydro requires upfront money, but the rate of return is at least 4% plus capital cost…Hydro is a stable investment. You always make a profit. The question is, how much profit should the government get? The developer chooses which size to buy into. The Thai's want a 15% rate of return in their concession proposals.' – Representative of a Lao-based hydropower SPV (FH1, Sept 2016)

After a dam has been commissioned and commercial operations begin, project sponsors receive regular dividends from the surplus cash flow after capital repayment and interest is paid to financial institutions. The rate of return on investment in energy projects has made it appealing and worthwhile to a number of project sponsors. Estimates put the rate of return once a project enter operations to be upwards of 13%.[53] The operations phase of the project is not the only stage with which to make financial gains for project sponsoring companies however.

Part of the contemporary boom in financing and development for hydropower projects in post-2008 Laos hinges on an alignment of pro-investor variables which make it profitable for developers with large surplus cash flow to invest to develop projects through an overlapping and nested system of shareholding and ownership. The changing rates of value for shares in energy projects relative to the stage of the investment cycle and amount of risk valued into the share price makes changing the proportion of shares held relative to the investment cycle one way which project sponsors have developed finance out of financing development projects. SPVs in which the sponsor holds more than 50% of shares is considered a subsidiary, while shares within the range of 20-50% make an SPV a joint venture.

> 'Everything changed after NT2 – what you're talking about is the change in business groups.' - Lao government official (O19, Sept. 2016)
>
> 'NT2 was the model; the World Bank created the landscape, now we have a market for investment.' – Thai energy analyst (F3, Sept 2014)

Just four days before the World Bank-backed Nam Theun 2 project received concession approval from the Lao government on 2 October 2002, the Nam Theun 2 Power Co. Ltd., an SPV for the project was established comprising four main shareholders: EGCO PCL (25%), a Thai independent power provider, Electricity de France (EdF) International (35%), a subsidiary of French public utility EdF, the Lao State Holding Enterprise (25%) – a public holding company for all state investments in energy projects, and Italian-Thai PCL, a subsidiary of Thai construction giant Ital-Thai Co (15%).

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[53] DH3, Sept. 2016.

Table 1: NT2 Shareholding Structure at time of Concession & Power Purchase Agreements 2002

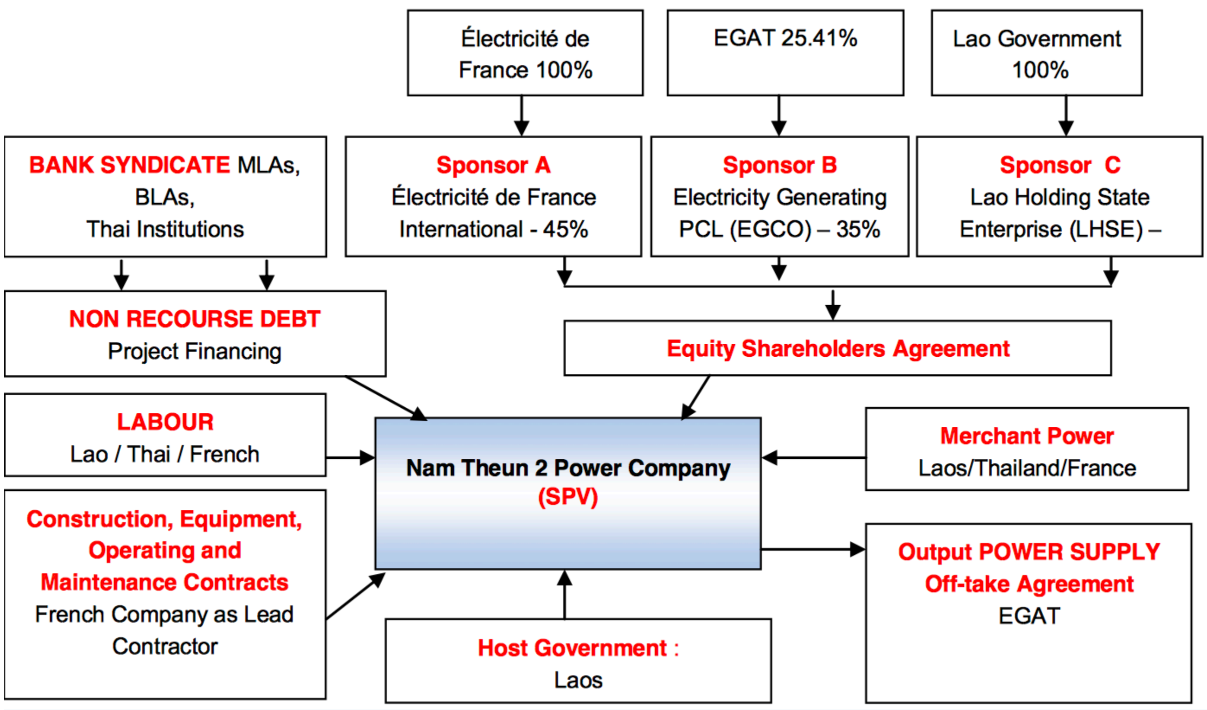
Shareholders	Percentage of shares
EGCO PCL	25
Electricite de France Int'l	35
Italian-Thai PCL	15
Lao State Enterprise	25

Table 2: NT2 Shareholding Structure After 4 Months of Commercial Operation in 2010

Shareholders	Percentage of shares
EGCO PCL	35
Electricite de France Int'l	40
Lao State Enterprise	25

Four months after NT2 was commissioned in April of 2010, Italian-Thai PCL sold its entire stake of 675,000 shares in NT2 Power Co. to the remaining shareholders in the group, with 450,000 shares sold to EGCO PCL and 225,500 to EdF International. Italian-Thai initially invested US$67.5 million in the project and sold its shares for US$110 million, netting a return on equity of approximately 62.96%.

Fig. 2: Project Structure of NT 2 Co. Ltd Project



The Italian-Thai group, founded by the Thai Karnasuta brothers Premchai and Chaijudh in 1956, as a construction and engineering company, built much of modern Bangkok from the public subway system to the glossy Suvarnabhumi international airport while holding a portfolio of other businesses including hotels. Premchai and his late brother's widow Nijaporn Charanachitta rank as the 46th richest people in Thailand, valued at US$495 million in the Forbes rankings.[54] Italian-Thai's status as a large construction contractor from Thailand gave it experience in taking projects on the basis of Build-Transfer-Operate (BTO), Built-Operate-Transfer (BOT), and Build-Own-Operate (BOO) and also gave it old-hand experience in using limited investments from company equity to bankroll its share in the NT2 project development phase. Loans for NT2 were provided by both foreign financial institutions and Thai commercial banks, which had interests in providing credit to an energy project in Lao PDR where other bank-backed Thai firms had an interest in doing business. Italian-Thai's share-selling in the NT2 project represents a classic case within the prevailing investment model in Lao energy projects of a project sponsor moving through the investment cycle to generate returns.

The project development of the Nam Ngum 2 dam by a consortium of private companies from the US, Germany, and Thailand comprising Shalapak Development PCL, Siemens AG, Voith Hydro GmbH, Preussag Noell Inc, Ratchabury Holding, BECL, PT Construction, Nopadol Intralib and CH Karnchang PCL offers a case illustration of profit seeking through share sales as well as diversification further into the energy business. The group of companies jointly set up the South East Asia Energy Co. Ltd (SEAN) as a project sponsor to operate the 615 megawatt Nam Ngum 2 hydropower project concession, which included terms for a build-own-

[54] Fernquest, J. 'Thai Tycoons: Forbes ranking of 50 Richest' *Bangkok Post* 4 June 2015.

operate-transfer (BOOT) model between the Lao state and the private investors, and a 25 year term for commercial operation after the dam is commissioned with the possibility of renewal subject to mutual agreement between the Lao government and SEAN. The Electricity Generating Authority of Thailand agreed to buy all electricity output from the project for a 25 year term at the beginning of commercial operation, thereby assuring returns on investment at the outset of the project. Electricite du Lao, the public electricity utility would hold 25% equity share with the remaining 75% going to SEAN, which further transferred to the Nam Ngum 2 Electricity Co. Ltd, a further SVP, all rights to benefits and obligations under the main power production agreement and rights to feasibility studies for other hydropower projects (Nam Bak 1 and 2).

Fig. 3 Shareholding Structure of Nam Ngum 2 before CH Karnchang PCL Group Restructuring

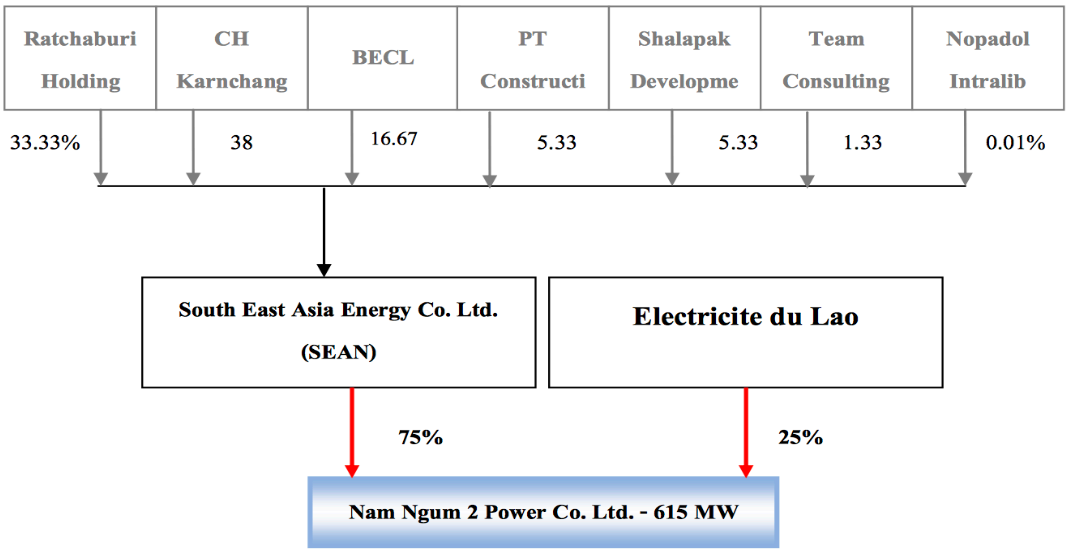
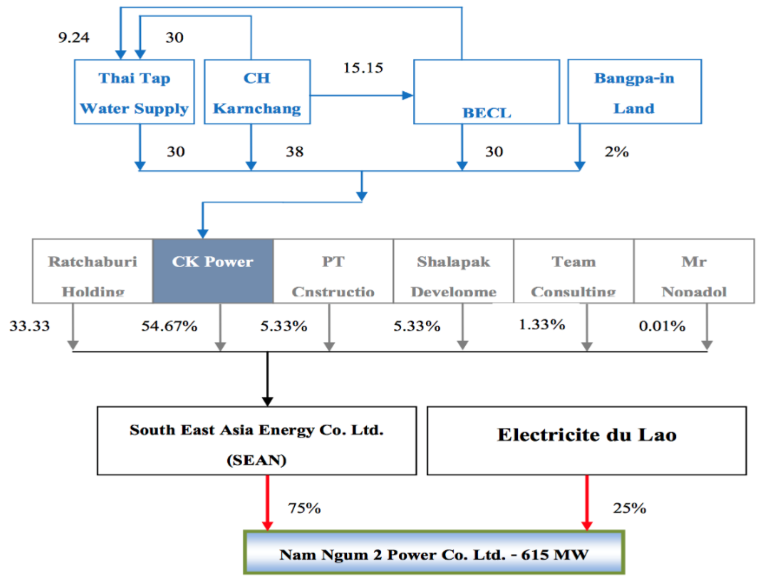


Fig. 4 Shareholding Structure of Nam Ngum 2 after CH Karnchang PCL Group Shareholding Restructuring



TERRA/MeeNet 2013

CH Karnchang PCL an original shareholder in the SEAN architecture sold all its shareholdings to CK Power Co. Ltd, a holding company created by CH Karnchang and BECL PCL another original shareholder, at share prices higher than par value. CH Karnchang made a profit of THB3,765, 947, 485 or roughly US$ 125,531,583 from the sale of SEAN shares.[55] CK Power Co. Ltd itself is comprised of CH Karnchang PCL, BECL PCL, Thai Tap Water Supply PCL, and Bangpa-In Land Development Co. as shareholders. While CH Karnchang PCL had sold its original shares in SEAN and the Nam Ngum project to its own holding company, CK Power Co., it also maneuvered to list CK Power Co. on the Thai Stock Exchange, which required CK Power to increase its shares from 38% in SEAN to at least 51% of registered capital in the public utility project. CK Power thus acquired the original shares of BCEL PCL by increasing its registered capital from THB 100 million to THB 9,2000 million. To do this, CK Power raised the money for the additional ordinary shares from BCEL PCL and CH Karnchang PCL who paid for additional shares in proportion to their shareholdings in CK Power while still retaining profits

[55] Stock Exchange of Thailand company news April 2012.

from the sale of the ordinary SEAN shares. Thai Tap Water Supply PCL had to acquire additional financing from loans by issuing bonds roughly equating THB 3,000 million to the general public to maintain its proportional share of investment in CK Power. The complicated overlapping and nested share structure allowed CH Karnchang PCL to increase its financial liquidity by gaining access to capital market financing as well as loans from financial institutions. It also allowed CH Karnchang PCL and BECL PCL to establish a publicly-listed energy business in the form of CK Power Co. Ltd, a single holding company to retain CH Karnchang PCL's shareholdings in primary utility projects with room for future expansion.

Locked In & Losing Power

> "People keep criticizing, saying we are getting less benefit than the developer, but you have to think of the long term; you don't insult your buyer (or) they won't buy. This is a relationship based on trust- it takes a lot of 'trust' that is established over 25-30 years; (they) will buy 9,000 megawatts from us, that is a difficult band to break. It's like a marriage, if your partner loves you but doesn't trust you? Trust is more beneficial than competition – we will export 12,000 megawatts by 2020, they will rely on us for ninety-percent of their hydropower. Sometimes 'Goliath' has to rely on 'David' too." - Lao resource official (O18, Sept. 2016)

The project investment model for Lao energy infrastructure that began with NT2 has evolved to enable private business actors in construction, energy, gas, and commercial banking from neighbouring countries, particularly Thailand, China and Vietnam to engage in the use of special purpose vehicles to generate profits through shareholder structuring and re-structuring at different stages of the project investment cycle.

The entry of second wave regional investment consortiums post-NT2 forms a distinct trend in the red area of Table 3 below:

Name	MW	COD	Offtaker	Finance	Ownership
Nam Ngum 1	155	1971	EDL	IFI/BFI	EDL 100%
Se Xet 1	45	1990	EDL	IFI/BFI	EDL 100%
Theun-Hinboun (Expansion)	210 (+70)	1998 (2012)	95%EGAT	Int'l Banks	EDL60% Nordic20% GMS20%
Houay Ho	152	1999	98% EGAT	Int'l Banks	EDL Suez(Belgium) 60% HHTC (Thailand) 20% EDL 20%
Nam Leuk	60	2000	EDL	IFI/BFI	EDL 100%
Nam Mang3	49	1994	EDL	IFI/BFI	EDL 100%
Nam Theun 2	1080	2009	95%EGAT	26 Banks+IF	LHSE (Laos) 25%; EDF (France) 35%; EGCO (Thai) 25%; ITD 15%
Se Xet 2	76	2009	EDL	IFI/BFI	EDL 100%
Nam Lik ½	100	2010	EDL	China BFI	EDL 10%; CWE (China) 90%
Nam Ngum 2	615	2010	95% EGAT	Thai Banks	EDL 25%; two Thai private co. (51%); Thai state co. (24%); 9 Others
Nam Ngum 5	120	2010	EDL	China BFI	EDL 15%; Sinohydro 85%
Xayaburi	1285	2012	EGAT	Thai Banks	EDL, PTTi (Thai); CH. Karnchang (Thai)
Nam Ou	1100	2012	EDL	China BFI	EDL; Sinohydro
Nam Ngiep	280	2013	EDL	China BFI	EDL 10%; CWE 90%
Nam Ngiep 2	280	2013	EDL	China BFI	EDL 10%; CWE 90%
Nam Ou 2-7	1,100	Construction	Export to TH / CN	China BFI	EDL 10; Sinohydro 90%
Xekaman 1	322	Construction	Export to VN	Vietnam BFI	EDL 15%; Vietnam-Lao JV VLPC (Vietnam) 85%
Nam Khan 2&3	130+95	Construction	EDL	China BFI	EDL 10%; Sinohydro 90%
Xanakham	660	NA	EDL/EGAT	China BFI	EDL 10%; Datang Int'l Power Co. (China); 90%
Pak Beng	1230	NA	Export	China BFI	EDL; Datang Int'l Power Co. (CN) + Ratch (TH)

Pak Lay	1320	NA	Export	China BFI	China Nat'l Electronics EXIM Co. (CEIEC) + Sinohydro

Sources: Lao Ministry of Energy & Mines; EGAT

The shift from multilateral development banks to bilateral financing of Lao government equity shares in column 5 (from left to right) has been accompanied by a pattern of declining Lao state share holdings in column 6. Since the rise of bilateral, regionally driven hydropower development, Electricite du Laos (EdL) has not held beyond a 10-15% share of any project outside of the multilateral Nam Theun 2 and Nam Ngum 2 projects, compared to the 60% share it held in the first wave Theun-Hinboun project of the 1990s and the 100% share of ownership it held in its first commissioned dam, Nam Ngum 1 in 1971.[56] The Chinese state-owned Sinohydro- the largest hydropower company in the world- for example, controls a 90% stake in the nine series Nam Khan and Nam Ou projects which form a long chain down Lao's largest inland river.

That cross-border private firms hold a majority controlling share of Lao hydropower projects matters not only because firms such as Sinohydro are state-owned by the PRC, but also because the dyadic and long-term nature of BOOT arrangements allow controlling cross-border interests to dictate low purchase prices and exclusive rights of access in the exporting of Lao energy. Even in projects where the offtaker (purchaser) of the power is EDL, within the long-term power purchase agreement signed, there is already a bilateral stipulation that the power will ultimately be exported to the lending country. With no construction or financing for Lao owned transmission lines or power stations to re-distribute the energy, Lao

[56] Nam Ngum 1 was built with multilateral but primarily US-led aid within the Royal Lao Government controlled lower-Mekong region; even as Pathet Lao insurgents engaged in conflict in the RLG zone of administration, they were careful to leave the dam site and foreign consultants working on it alone.

power is essentially lost to the exclusive transmission lines which flow in unilateral direction out of the country. As the minority party within the agreements, Lao officials have become 'price takers' – effectively locked in by the 25-50 year PPA and concession agreements whether future revenue is sufficient to cover maintenance costs or not. Some worry that projected future revenue may not turn out as Laos expects given a number of contingent factors and risks related to environmental unpredictability, the haphazard and uncoordinated case-by-case system, climate change, erosion, and the possibility of drought future drought in China forcing retention of flows further upstream (Cronin and Weatherby 2015).

When asked about the issue of lack of third party access to transmission lines and the lower than preferred price for power offered by EGAT, Lao officials were not concerned about the transmission line matter and took the issue of price-taking as a necessary part of long-term economic diplomacy, adopting a very long term historical perspective on cross-border relations which seemed surprising in contrast to the hurry with which the Lao state has reiterated its desire to 'graduate from LDC status' in all official reports, speeches and documents (DH1, DH2, Jan 2014; O18, O20, O21 Sept 2016). Some officials even preferred the use of foreign-owned transmission lines as they thought that financially and administratively taking on transmission projects would further overwhelm already stretched state capacity (O18, Sept 2016).

Officials seemed to be concerned about securing financing for projects and getting them under way while it was possible to do so and envisioned discussion about transmission lines as a 'second stage' diplomacy for later discussion with their development partners (O19, Sept. 2016). I argue that this reflects on the part of Lao officials a politics of patience in its dealings with regional development partners based on their longer shared histories of anti-colonial struggle and Cold War entanglements. Lao officials are making calculations and decisions to enter PPA and CA agreements in the present based on trust and confidence in regional relations projected at least five decades into the future. Lao official's patient politics with cross-border partners and impatient desire for development converges with the impatient capital of its regional investors to the dis-benefit of Laos. 'Thai banks think in 7-12 year blocks, that's the time window for how they see investments generating return' (F3, Sept. 2014). The tension inherent to the BOOT contract structure is its reliance on private sector actors to act as 'patient capital' in providing long-term financing for public infrastructure projects, when the profit seeking horizon of firms is much shorter and their primary loyalties and concerns are not aligned to the benefit of the Lao state in the first instance, but rather to their own parent companies, shareholders and parent states. To circumvent the long-term reputational and financial risks associated with BOOT contracts, foreign private firms operating in Laos, particularly Chinese firms with global standing, have even started to plan for sub-contracting arrangements to avoid economic responsibility and damage to their reputations from any future social or environmental fallout (FH2, Sept. 2016).

In the case of the Thai Nam Ngum 2 example, sub-contracting has also been deployed to generate profits. Further profits from the Nam Ngum 2 project were made during the construction phase of the investment cycle by CH Karnchang (Lao) Co. Ltd, a subsidiary of CH Karnchang PCL as the contractor for construction of the Nam Ngum 2 project, worth over THB 22,472 million.[57] In the operations phase of the Nam Ngum project, a similar format of sub-contracting to a subsidiary of the

[57] Annual Report of CH Karnchang PCL 2011

parent company was organized via RATCH-Lao Services Co. Ltd, a subsidiary of original SEAN sharesholding party Ratchaburi Electricity Generating Holding PCL, itself a Thai independent power provider partially liberalized from the Thai state electricity utility EGAT. RATCH-Lao Services Co. Ltd. was granted a 27-year operating and maintenance contract for the Nam Ngum 2 power station to maintain machinery, buildings and manage services. RATCH-Lao was paid THB 115 million per year with 3% in annual increases each year. RATCH-Lao further sub-contracted its duties for operations and maintenance to EGAT for the Nam Ngum 2 project. Ratchaburi Electricity Generating Holding PLC explained that RATCH-Lao did not have sufficient personnel to carry out the work, while EGAT employs specialized personnel.[58] The double layer sub-contracting arrangements from Nam Ngum 2 Electricity Co. Ltd to RATCH-Lao, and further from RATCH-Lao to EGAT for overlapping responsibilities leaves open questions as to why Nam Ngum 2 contracted services to RATCH-Lao when a more appropriate contractor (EGAT) was available. RATCH-Lao profited from the difference in value of its contract with Nam Ngum 2 Electricty Co. Ltd and its sub-contract with EGAT to the tune of 37.5% a year.

A vast contrast thus exists between the long-term legal and financial strategizing of regional investors vis-à-vis Lao state officials, who believe they are playing a ‘long game’ of economic diplomacy while the long-term implications of hydropower development are actually front-loaded in PPA and CA agreements which ‘lock in’ arrangements over several decades. The contrast between the two parties draws to light the disparity in expertise, bargaining skills, and manpower which has worked to the dis-benefit of Laos in its pursuit of regional bilateral

[58] Ratchabury Electricity Generating Holding PCL Annual Report 2011

investment. The side-lining of MDBs in second wave investment has heightened the asymmetries between more developed state-backed private actors and the Lao state and is reflected in the declining ownership and access the Lao state has to the projects which utilize resources within its own sovereign domain.

4.4 Conclusion

From a high of 100% public ownership of Lao dam projects, to a an ownership share of 20% under the OECD-DAC aid regime which introduced the PPP-BOT model, Lao dams now never reach beyond 10% of public ownership and have been privatized to stay off government balance sheets.

Hydropower development in Laos today epitomizes the financial motives which drive the outward investment of state capitalist firms from neighbouring Thailand. Former state enterprises, now privatized but not liberalized, engage in hydropower projects in Laos with the intent to raise profits from the public listing of share-owning holding companies on the Thai stock exchange. Using its wealthier advantages attained under more favourable Bretton Woods conditions, Thai firms in coordination and collusion with Thai government agencies have found a new source of returns following 1997 Asian Financial Crisis restructuring. Lao dam projects are no longer ‘temples of modernity’ in the Nehruvian sense, but have become portals to financialization for neighbouring investors who operate under the guise of developmentalism.

Vast is the discrepancy between the forlorn pessimism of foreign observers of Lao hydropower development and the enthusiasm with which Lao officials welcome hydropower as a ticket to paying down national debt and reducing poverty through resettlement and improved services. Given the sheer number of dams in planning, approval, and construction phase, hydropower officials were most in favour of resettlement and in reducing the transaction costs and time required to get projects to speed. The ad-hoc nature of case by case negotiation rather than an integrated strategy preferred by hydro-experts allow state officials to maintain flexibility with various lending partners, switching between state-business groups whenever the financing is better. It was surprising that given their priority emphasis on expediency of projects, a more coordinated approach between projects was not taken. The ability to negotiate separately with different business groups was a way for officials to keep a certain degree of leverage, control and flexibility to a process that is, in their own words, an asymmetric relationship between 'David and Goliath'. That the relationship between Laos and Thailand is consensual does not mean it is not riddle with asymmetry and exploitation – of rivers, communities, land, public finances- underpinned by a logic of shareholder capitalism. What the case of financialization of dams in Laos exemplifies is the ways in which south-south dependency now operates through financial channels rather than trade and production.

Chapter 5

In Deep Water

From Boon to Boondoggle

Introduction

In the late 2000s, Ngaire Woods published a blistering critique of the hypocrisies and failures of the members of the OECD Development Assistance Committee (DAC), their bilateral and multilateral agencies and the World Bank while tamping down on alarmist critiques of emerging donors and particularly China's rising role in the developing world as a source of aid and trade (Woods 2008). Woods branded the arrival of new emerging donors who had either been or still were, aid recipients, a 'silent revolution' that would challenge as much as highlight the shortcomings of the OECD-DAC 'development establishment,' which she characterized in the following manner:

> The multilateral aid system created by established donors looks increasingly dysfunctional. A proliferation of agencies – governmental and non-governmental- within and among established donors has led to a system that is fragmented and duplicative, and places too heavy a burden on aid-receiving countries. A relatively small number of donor countries manage to present themselves to poor countries in a dizzying array of separate multilateral organizations, special funds, new agencies and bilateral aid programmes. Each aid agency requires local officials to meet, to respond to their demands, to report to them (in formats only they use) and sometimes to alter course at the whim of the donor. The result is an overriding of local needs, priorities and institutions, and the imposition of heavy transaction costs which sometimes outweigh the value of the aid (Woods 2008, p.1218).

Woods could easily have been describing the OECD-DAC development establishment in Laos in the 21st century, and particularly the 2013-2014 period of my fieldwork as Lao colleagues in Vientiane were constantly in transit to or preparing for non-ending international conferences, workshops, donor meetings, debriefings, capacity training, or any other myriad aid forums; the same pattern of top-heavy donor imposition was witnessed in the 1990s and detailed in Michael Goldman's *Imperial Nature* (2005) an ethnographic account of western aid and hegemonic knowledge production in Laos.

What I wish to draw attention to, however, is the parallel with which Woods' piece mirrors the sentiment of Lao officials I encountered during fieldwork – the sentiment of welcoming something new out of spite and exasperation for what has already existed, in this case, welcoming non-traditional donors (NTD)/non-OECD-DAC aid as a welcome change from the 'old' system. I call this something of a Trojan fallacy of disillusionment which explains part of why some host country officials in Laos have been receptive to new donors despite strong nativist critiques from within the Party and widespread popular displeasure at local and central levels over land conflicts and high settler populations as China's formal and informal presence has grown in the country. The critiques and blunders of OECD-DAC aid in Laos are many, including the response of MDBs in the wake of the Asian financial crisis, the push for private financing and the 'backseat' treatment of bureaucrats and Party elites – however the logic captured in the Woods piece mirrors the zeitgeist of Lao party elites: a misplaced willingness to place optimism or trust in new donors based on dissatisfaction for the status quo. Certain dimensions of the multifarious nature of OECD-DAC aid criticized by Woods have been discussed in the Lao context in the previous two chapters pertaining to the conditionality-laden installation of environmental institutions (Ch. 3) and public-private legal structures and investment vehicles (Ch. 4) which have laid the pathway for small and large-scale regional investment, much to the ire and alarm of some OECD-DAC actors. However, as this chapter will discuss, much like many other revolutions which have come before, the ‘silent revolution’ which Woods optimistically defended has not born out well for Laos socially, economically, or bureaucratically and left few reasons to be sanguine.

From DAC to Non-DAC

Laos has shown a dramatic shift from OECD-DAC dependence in the 1990s to reliance on non-DAC bilateral donors through much of the 21st century, with the trend likely to intensify. Some aid actors have presented the rise of non-traditional donors as a boon to developing countries, an expansion of finance options and the unleashing of a development finance landscape where aid resources are not scarce (Manning 2006). For Laos, I contend that this is not the case. Rather than a widening of autonomous policy space, ownership of development projects, or enhanced choice in development options for recipient countries, the reverse is the case. Local and national interests are becoming subsumed to the interests of external partners in the manner of the adage, ‘he who pays the piper calls the tune.’

Firstly, rather than an expansion of finance options, I contend that the shift to non-DAC sources of funding in the Lao case are partly a response to resource constraints in DAC member states and disillusionment with the DAC regime in Laos in its first forays with western aid in the 1990s. As has been discussed in other chapters (3 and 4), financial and legal institutions installed by bilateral and multilateral DAC agencies paved the way for regional private investment in Mekong Asia which was soon followed by the state flags of the private interests. While there are ‘pull factors’, and matters of affinity which partly explain Lao engagement with non-traditional donors, ‘push factors’ related to real constraints in DAC members’ ‘donor fatigue’ and forms of country classification have pushed Laos to seek out other funding and left it prey to better resourced and business oriented non-DAC actors. It is saddled between a DAC establishment which increasingly promotes the private sector as a solution in providing 'patient capital' and regional non-DAC donors who seek to further their commercial and political interests. The discourse of aid expansion and 'aid on demand' obfuscates the power relationships, externally imposed constraints and asymmetries for host nations entering the political quicksand of non-DAC bilateral agreements.

Secondly, a dearth of quality information exists concerning non-traditional donors and Laos as non-DAC donors do not have to abide by rules of transparency or disclosure in bilateral dealings, which makes it difficult to ascertain the full terms, scale and scope of agreements as well as measure the effectiveness and impact of non-DAC aid. This vacuum or opacity of data allows much of this new phenomenon to be influenced by rhetoric and public diplomacy, with important consequences for host nations. The front loading of agreements for development cooperation to when they are signed or to when a project is agreed upon subsumes matters of long term development impact to foreign policy interests, and worse, perpetuates centralized decision making that reinforces the exclusion of popular interests. The nature of bargaining and the short-term framework in which agreements are established shifts development policy to the realm of political 'results' and media focused diplomacy. This has worked to the advantage of authoritarian regimes in the Mekong region as it has narrowed the venues for inclusive dialogue and negotiation in favour of expediency and regime bolstering through a politics of 'doing' at the expense of assessing and safeguarding environmental and social impact.

Thirdly, the rhetoric of 'south-south' cooperation and 'win-win' narratives which accompany the public diplomacy of non-DAC bilateral arrangements further conceal the asymmetric and exploitative nature of these dyadic relationships. The symbolic nature of south-south relations should not be undervalued, and play a role in furthering diplomatic courtship between emerging donors and host developing nations, but they also work to the favour of the stronger party by deflecting issues of exploitation by perpetuating a false ‘non-interventionist’ and low or no-conditionality sense of appeal to host nations. This ‘no conditionality’ meme deflects attention from the serious implications of tied aid, one of the key features of difference between DAC and non-DAC actors.

The processes and relations which are obscured by the rise of non-traditional donors is but one of the reasons it is worth revisiting the tenets of classic dependency theory and revising it in the context of contemporary developments. I suggest that the notion of proximate dependency renders visible the dyadic relationships which have utilized the symbolic power of ‘south-south’ horizontality to further asymmetries between countries of relative ‘backwardness’.

The chapter is structured as follows: first, a discussion of Laos’ shift towards a Chinese financing and its influence on domestic politics (5.1). Second, a discussion of forum shopping upwards by an external partner in a process called ‘courting the centre’ to achieve external policy objectives (5.2). Third is a discussion of Lao views on external partnership and what they hope it will bring (5.3). The fourth section discusses a shift from courting to ‘managing’ the centre when core interests- material and/or political- of the external partner are at stake the constrained autonomy of Laos’ centre (5.4). The fifth section discusses the domestic impact of this process of ‘reversing the second image’ to outside interests (5.5).

5.1 Pivoting North by Northwest

Over the course of the 21st century Laos has drastically altered its financing mix, shifting away from OECD-DAC official development assistance to a heavy reliance on non-DAC bilateral funding. Between 2002 and 2013, the amount of flows to Laos that were outside the DAC parameters for official development assistance rose from $21 million in 2002 to $433 million by 2013, a jump from 11% of total external development finance to just under half at 48% (ODI 2016, p.4). Of this, China accounted for 86% of total external development finance on average between 2011-2013 (ODI 2016, p.4).

The conventional view in the development scholarship of non-traditional donors in the development finance landscape is that they provide a wider range of financing options as aid becomes a 'less scarce' resource (Manning 2006), however Laos has exhibited trade-offs in funding between OECD-DAC and non-DAC financing. As Laos has shifted its dependency to non-traditional donors such as China, Thailand, Vietnam and India it has decreased the amount of official development assistance it receives with the ODA/GNI ratio dropping from 15.8% in 2003 to 4.7% in 2012 (World Bank 2015; ODI 2016, p.10). The World Bank's re-classification scheme placed Laos in the Lower Middle Income Country category in 2011 and it now places in the 'blended' category of IDA allocation as eligibility cut-off levels have been lowered over time, decreasing the amount of grant funding and concessional credit it receives from MDBs and other donors. Sweden phased out its coordination with Laos and exited the country altogether in 2008, extinguishing a source of bilateral grants (SIDA 2007). Laos has been further adamant in every official document and statement it produces in stating its goal of graduating from LDC status by 2020, which would further impact its external funding terms.

Rather than a widening of finance options with the rise of non-DAC donors, Laos' ownership over its development projects and autonomy in determining its own priorities and needs have become more constrained as its non-DAC sources of finance have grown. Chinese ODA, which is six times less than its non-concessional lending in Laos, has been concentrated in transportation and public facilities over the last decade which serve its own economic needs (MPI 2014; Khennavong 2015). 'Prestige' projects such as the building of the five-star Don Chan Palace hotel in Vientiane ahead of the 2004 ASEAN Summit and the Lao national stadium for the 2009 Southeast Asian Games were part of a tied-aid investment package which included the building of both facilities by the Yunnan Construction Engineering Corporation; leaders from both sides took advantage of the diplomatic and media publicity generated by such projects. While early Chinese engagement in Laos was large-scale and high profile compared to more discrete local investments by neighbouring Vietnam and China, I argue that Chinese economic engagement in Laos has intensified over time and with that, a political relationship which has evolved from the *courting* of Lao authorities to *political management* of Lao central authorities. The ability to implement, manage and enforce its interests have evolved from a process of courting Lao officials at all levels to concentration on central authorities, to the detriment of the Lao public. China has prided itself in its efforts to establish parallel institutions and new norms of global governance based on principles of respect for sovereignty, lack of conditionalities and non-interventionism while publicly engaging in an expansive global infrastructure building drive. It has spread a rhetoric of 'aid on demand' which deflects attention to the host governments it works with, claiming it operates at their request and behest (Fuchs et al. 2015). Examples from Sino-Lao development relations however will illustrate how 'south-south' courtship has evolved into forms of asymmetric indirect control which contravene the 'non-interventionist' rhetoric it cultivates.

5.2 Courting the Centre

Chinese state efforts to curry favour with struggling economies of the world and the diplomatic gains it has achieved have most recently been described in the press as characterized by, ‘assiduous courtship and chequebook diplomacy’(Horowitz and Alderman 2017). When China surpassed Vietnam and Thailand for the first time as the top source of investment in Laos in 2013, it was touted in both Lao and Chinese state media and proudly announced by then Chinese Ambassador to Laos Guan Huabing at a public reception at the Chinese Embassy in Vientiane co-hosted with the Chinese Chamber of Commerce and the Lao China Cooperation Commission. Well over a decade before US Secretary of State Hilary Clinton visited Laos in 2012, Chinese President Jiang Zemin visited in 2000 following the Asian financial crisis, followed by another high-level visit by Vice President Xi Jinping in 2010 after the 2008 global economic downturn. Between my initial fieldwork in Laos from 2013-2014 and a follow-up visit in 2016, in the span of two years a commercial retail complex had swiftly been erected on the hotly disputed That Luang marshes in the capital city under a concession deal with a Chinese developer despite wide legal protest and criticism by notable elites. Nearly every Party and government-related informant I had interviewed in 2013/14 across seven different agencies and institutions had participated in some manner of official exchange or visit to China, be it cultural, technical, or diplomatic within the two-year window between field visits. These observations are not merely anecdotal, they highlight the breadth, reach, power and influence of neighbouring statecraft on the rise.

More than merely a charm offensive[59], the ability to quell local and official dissent over projects and developments which subordinate Lao national interests to that of an external partner has required the sophisticated deployment of trade, investment, aid and formal diplomacy concentrated more and more at the despotic and arbitrary power of the Lao central party, or a strategy of 'courting the centre' to enforce business contracts and achieve geopolitical aims. Opaque and backchannel operations have been accompanied by a public diplomacy of south-south comradery based on appeals to shared 'catch up' experiences and the ability of a smaller Laos to benefit from a mutual win-win dyadic partnership with a much bigger ally.

These appeals to nationalism are not exceptional to contemporary China's engagements with developing countries, in fact they bear similarity to Japan's 20th century courtship of newly independent states during its period of economic expansion and quest for raw materials and trade dominance (Bunker and Ciccantell 2005). Japan catered to the nationalist sentiment of its targeted partners while actively working to devolve and offload the infrastructure costs for accessing the raw materials it needed to its host countries. A similar pattern has emerged between Laos and its non-DAC bilateral partners. The symbolic and material value of being courted should not be underestimated. Appeals to nationalism find affinity in Laos officials' previous negative experiences with OECD-DAC agencies and the central elite's desire for rapid development to bolster their legitimacy (O22, June 2014; O26, June 2014; O16, Apr. 2014). These 'pull' factors towards non-DAC donors are accompanied by 'push factors' arising from resource constraints within DAC member states themselves, a trend which prompted multilateral agencies dependent

[59] (Josh Kurlantzick 2006) extends Joseph Nye's notion of 'soft power' to include more formal instruments of diplomacy considered a 'charm offensive'; I focus on deliberate targeting of host nation centres of authority which may bypass bureaucratic and diplomatic channels altogether.

on DAC funding themselves to continually define the thresholds for development downwards while pushing countries such as Laos to seek financing through private investment (Ch. 4). Rather than a bevy of aid options in a sea of choice, Laos is sandwiched between dwindling and discordant DAC assistance and non-DAC assistance which subordinates local development needs to the commercial and foreign policy needs of external partners.

In the case of the That Luang marshes, a 900-acre concession designated as a Special Economic Zone was awarded to the Shanghai Wan Feng Group to undertake a $1.6 billion project to construct a retail commercial park with ‘first class’ condominiums, a shopping mall, luxury hotel, sports centre and entertainment venue. The That Luang watershed provided flood control for the metropolitan area, water purification, and fisheries, with at least 7,000 households likely to be affected by the project. The project stalled for four years with 4,000 legal cases brought against the project in Lao courts and at least a hundred households who refused compensation and relocation. Residents cited offers of compensation at 1/10th of market value (D3, July 2014). The developer won out by appealing to high level authorities through official state channels resulting in the Lao government issuing orders prohibiting all land related activities in eight villages through a directive. The That Luang case was high profile because it dealt with prime land in the capital city and historic lands near the nation’s famed religious site, the Golden Stupa and affected neighbourhoods where the Party’s well-heeled and notable elites had personal interests. Not only was the government forced to make an about-face regarding the marshes from its previous suspension of development, but it did so without giving reason and issued an apology to the developer for ‘government mismanagement.’ The That Luang episode is a high profile example of Chinese firms in Laos resorting to ‘courting the centre' for business contract enforcement under opaque settlements. Sino firms resort to higher levels of government authority in a form of vertical 'forum shopping' in the face of what they see as a lack of rule of law, mismanagement and corruption to protect their claims, subverting local laws to *politically* enforce their interests. Similar forum-shopping tactics have been observed in the agricultural sector, with differing tactics deployed by Chinese and Vietnamese firms (Kenney-Lazar 2015).

5.3 A Desire for Change

Despite the colloquial moniker of Laos as a sleepy country where Lao People Don't Rush (Lao P.D.R.), the party state is in quite a rush to structurally transform and gain international respect. It chose to forego participation in the Heavily Indebted Poor Countries (HIPC) initiative for debt cancellation despite very high levels of debt following the AFC because it was viewed that the transaction costs of engaging the process and the potential limiting of access to new loans were more trouble than worth the gains of debt relief; the choice reflected the party-state's business oriented approach to development and its preferred reliance on loans to try to propel growth. Here, the Lao regime's impatient quest to join the ranks of more developed states has dovetailed with China's ability to support its own outward public diplomacy with concrete initiatives such as the building of public facilities like the Lao national stadium, hydropower projects, mining sites, and large scale agricultural projects – albeit funded by concessional loans and built by outside labour. The result has been a symbiotic process between Laos and China which displays what Timothy Mitchell has described elsewhere as a form of performative 'state-making' through mega-projects which serve to project hegemonic techno-power to de-politicize grounds for civic claims-making (2002). High level Lao government officials interviewed displayed an understanding of development in the high modernist tradition discussed by Scott (1988), and considered the construction of mega-projects as ‘real’, ‘tangible’ developments that would bolster the Party and serve the citizenry:

> ‘I don’t care about what business group it is – I care about the quality (of the dam), if it lasts 100 years? I did my job. If we build twenty, thirty dams and half are wrong – ok, we still have 15; if we go with the slow guys and we build only three or four and half are wrong – we only have 2. We have to try and experiment – we tried the Japanese and the World Bank for some projects, look what happened..’ – (O18, Sept. 2016)

In ‘seeing like a state’, it is important to understand that Laos sees itself as a poor country but one that is eager to ‘catch-up’ –not only with its regional counter parts, but also to catch up with the rest of the ‘marketized’ world. The legacy of nominal socialism in the Mekong periphery is a deep desire to transform and to further integrate into the international community reflected in its stated mission to grow out of LDC status by 2020, this goal is so often repeated at the beginning of every official document or indigenous academic research that it has a certain element of mass mobilized mantra. The proverbial adage that ‘the sooner you fall behind the more time you have to catch up’ applies in Laos at a frenzied pace. Civil servants and party officials interviewed see themselves as responsible for leading their country and country(wo)men into the future. Local officials at the frontlines of state-led development who are tasked with carrying out land evictions often resorted to nationalist appeals and saw themselves as bringing uncomfortable but necessary change to move the country forward rather than just following orders (O32, O33, Sept 2013; O34, Apr 2014). The primacy placed on expediency in development choices as well as the symbolic value of appeals to nationalist sentiment and national struggle should not be underestimated.

Lao officials were aware of being perceived as a ‘client state’ for China, however they drew a distinction and a partition between China’s deep pockets and its ability to influence domestic Laos politics (O4, July 2014). Interviewees focused on the potential projects made possible by Thai and Chinese funding and portrayed the linking of rapid large-scale hydropower and road construction as a way to climb out of debt (O8, Sept. 2013; O9, March 2014; O10, April 2014; O18, Sept. 2016). A comparison of China was made with Vietnam which was viewed as having less money available to finance Lao projects, but was easier to cooperate with on official matters (O19, Sept. 2016): 'they don't have the credit, but it's much better – less hassle'. When asked their views about the new development finance landscape most were generally optimistic (or posturing)- in many candid talks officials seemed to hold two main positions: the necessity of adapting to supply-side changes and the importance of keeping diverse sources of aid. (O13, March 2014): 'we don't know what will happen in the future, right now whoever wants to do business, we have the most open JV (joint-venture) process.' Laos' transition to marketization in the 1990s coincided historically not only with the decline of CMEA aid but also a historical period in which OECD-DAC funding was the primary global game in town for states which could not access capital markets or attract investment: 'it was easier than under the RLG-times, much easier, but we could not get the (types of) loans we wanted' (O37, Aug. 2014). Laos' first decade of reform coincided with DAC members provision of 95% of international aid from the 1990s to early 2000s (Manning 2006), this experience of being reliant on DAC members' conditionality laden assistance has been formative in breeding disillusionment with Lao public officials and party elites (O14, March 2014; O6, Feb. 2014) . They took for granted that OECD-DAC funding would remain in Laos in the future through various channels in the current period while at the same time expressing the need to diversify financial access with NTDs so as not to be subject to 'Western' conditionalities or be overly reliant on Western sources of aid in the possibility of decreases in funding or a European recession (O27, June 2014).

What is clear from discussions with Lao officials is that they reflected the mainstream Chinese development rhetoric and view of conditionalities as being associated primarily with 'the West' and accepted the conventional rhetoric, or took it for granted, that Thailand and China were 'non-interventionist' because they were regional neighbours and allies (and also non-democratic states)[60]; this has worked in the favour of non-traditional donors in playing down the matter of tied aid, a matter examined in the next section. It also reflects either a shared cosmology with non-traditional donors such as China and Thailand, or the infiltration of Lao official perspectives by discourses put forward by China's state-centric, business-oriented model of development cooperation.

5.4 From Courtship to Management

In June 2010, Chinese Vice President Xi Jinping visited Laos and as he shook hands with General Secretary of the LPRP and Central Committee President Choummaly Syagnasone, affirmed, 'close contacts, strengthened political mutual trust, deepened economic and trade cooperation and increased exchanges in all areas' . The ASEAN-China Free Trade Area had just opened that year and trade between Laos and China soared. Xi's visit to Laos began official talks for a costly high-speed railway plan to connect China to the capital city of Vientiane and then in a broader vision, onwards to Bangkok all the way down to Singapore, connecting Kunming through the whole of the Mekong mainland. The Lao-China portion of the railway would run 414 km and involve drilling 75 tunnels and building 167 bridges for an electric run track initially projected to cost USD$5 billion but was later projected

[60] At the time of interview Thailand was and remains under transitional military rule.

upwards to $7.1 billion. A Memorandum of Understanding was signed during Xi's visit and construction was expected to commence the following year and conclude by 2016, however the project stalled and did not break ground for another six years – how the railway finally came to be and the terms of agreement illustrate a wider story about the empowerment of the Lao central state at the expense of the nation's economic and civic future through an asymmetric alliance with an external power.

In the spring following Xi's visit to Laos, lower Mekong politics came to a head at the April 2011 meeting of the Mekong River Commission when Laos unveiled plans for the building of the Xayaburi dam, the largest in its history and the first of nine dams it planned to build on the mainstream Mekong waterway shared by Thailand, Cambodia, Vietnam, Myanmar, and China. Of 11 dam projects planned for the mainstream Mekong waterway, two were to be built in Cambodia with the other nine in Laos, four of them funded by Chinese firms through state-backed loans. The Vietnamese delegation, which had placed trust and faith in the Mekong River Commission's intergovernmental process to "cooperate in the maintenance of flows on the mainstream…and to enable the acceptable natural reverse flow of the Tonle Sap to take place during the wet season," as the governments of Laos, Thailand, Cambodia and Vietnam had pledged in 1995, were shocked and dismayed when Laos announced it would move forward with the project despite the Commission and neighbouring states' objections. Downstream neighbours Vietnam and Cambodia stood to be directly affected by upstream damming as the Tonle Sap, Southeast's Asia's largest freshwater lake, depends on seasonal flooding to flush out salt intrusions and bring silt washed down from mountains further north. In the dry season, the Sap river drains the Tonle lake, however in monsoon season the Mekong rises to reverse the Sap's flow and the Mekong's floodwaters pour into the Tonle

Sap, a delta region which sustains vital agriculture and fisheries on which 1.5 million people depend directly and millions more are reliant through its broader economic networks. Vietnam, backed by Cambodia, called for a 10 year halt to the Xayaburi project to further study its impact and prepare for the project, it was supported by numerous transnational NGOs, academics and the Commission's own officials, however Laos was impervious to regional pleas, international condemnation, and criticism from multilateral agencies, donors, and a host of environmental groups and in a deft manoeuvre, simply affirmed that it had fulfilled its obligations of 'prior notification' to the MRC's consultation process and 'alerted' the members that it would go ahead full steam. Although Xayaburi is a Thai financed project, the Thai delegation to the MRC remained ambivalent about the events of the meeting; Laos' newfound aggression and diplomatic bravado, others surmised[61], was invisibly backed by a silent upstream ally, China.

Laos' aspirations to become a regional energy exporting hub for the GMS-ASEAN region and its desperate desire to gain international respectability and move away from its low ASEAN rankings have been long nurtured and previously discussed, however the timing of its aggressive intensification of infrastructure projects in hydropower and transport coincide with the rise of what Chinese Premier Li Keqiang announced as the 'diamond decade' of closer relations between China and ASEAN states in 2013. Laos has become a key and significant ally in China's aims to widen and deepen regional ASEAN relations and its even grander One Belt One Road initiative (OBOR). Myanmar's President U Thein Sein suspended the construction of the large Chinese financed and constructed Myitsone dam in 2011 in a rebuke of the country's former ruling regime and in response to popular opposition

[61] FNG3, February 2014.

to foreign concessions and dam building on the main Irrawaddy river. Rising anti-Sino xenophobia in Vietnam and conflicts over the South China Sea have placed Laos, Thailand and Cambodia as China's main allies to build its land bridge across the lower Mekong peninsula. Some have called this a classic Chinese strategy of 'one body, two wings' – with a focus on attaining a geographical and political foothold through Laos, and establishing further extensions of power through Thailand and Cambodia.[62] In many ways, China has thus benefitted from the GMS framework initially fostered by the ADB. The ADB's large GMS integration program is premised on three large geographical economic development 'corridors': North-South (NSC), East-West (EWC), and South-East (SEC) which include nine transport 'corridors' or road projects that stretch from the top of Yunnan province to the southern tip of Vietnam. Through the ASEAN-China framework, China proposed the formation of a 'Lancang-Mekong Cooperation' dialogue mechanism which effectively usurps the six-party membership of the GMS into a China-led LMC framework. Within a year of the 2014 ASEAN-China Summit in which Li Keqiang stated that China was willing to, 'promote the development of (an) ASEAN sub-region and…explore…setting up the LMC,' a joint communique had been signed by November 2015 establishing the LMC through a Foreign Minister's Meeting held in Yunnan. China's public rhetoric now discusses the GMS as a platform for achieving ASEAN-China's Belt and Road projects.

The Lao National Assembly approved the China-Railway project in 2012, however the project continued to stall over financing issues amidst widespread international condemnation and domestic unease. Standing before the National

[62] FRS3, pers. communication, 2016.

Assembly in 2015, the project's most enthusiastic Lao supporter, deputy prime minister Somsavat Lengsavad stated:

> 'The Chinese offered us a loan with a three percent interest rate, but we proposed that they reduce it…after calculation, we have determined that we have five potash mines, and if we excavate them and use the income from them, we will not have any problems repaying it within five years instead of 30 years.' (LNTV 2015)

Amongst the Lao Ministry of Planning and Investment and various quarters of the National University, a collective groan set in as worries over debt, the risk of a financial crisis, and suspicion over the final rate of interest negotiated set in.[63] The project, negotiated down to $6 billion in cost, raised widespread alarm inside and outside Laos. The IMF raised concerns about Laos' external debt position, worried that it could move from the country's already high 32% to 125%; the ADB was frank in calling the project 'unaffordable' while domestically, political elites and academics questioned Lengsavad's claims that the project would inspire growth. Regional and international media outlets supported the public questioning of the project's benefits and its exorbitant risks. China's Minister of Railways, Liu Zhijun was himself deposed in 2011 for charges of corruption – but the Lao project remained on the agenda.

Myanmar, Cambodia, and Vietnam have all shelved Chinese-backed rail projects. Thailand's Sino-railway cooperation came to a halt with the election of Yingluck Shinawatra in 2011 after much of the deal had been negotiated by the opposing Democrats. The Thai plan disintegrated when terms of financing couldn't be reached with Thailand's military junta which came to power in 2014 and amidst pushback from the Engineering Institute of Thailand over technology transfer and the sole employment of Chinese engineers on the project. For a time, Thailand

[63] O8, pers. communication, 2015, 2016.

began developing a dual track project which would not have been compatible with the standard gauge Lao project. The military government of Prayuth Chan-Ocha ultimately pushed through the railway project in Thailand in 2017 by invoking the absolute powers of Section 44 of the interim constitution. Academics and various quarters of the Thai civil service have voiced concern about the undermining of long term national interests (Zhou 2017).

The original Chinese private developer of the Lao railway project withdrew in 2012 after a feasibility study found that the project would operate at a loss for at least eleven years and that the fares just wouldn't add up. Rather than cancelling the project, Laos was left to shoulder financing for the project through the Chinese Export Import Bank on its own. It is the largest infrastructure and fiscal undertaking ever taken by the Lao regime. Under the final agreement[64], Laos and China formed the Lao-China Railway Company, a joint venture between the governments with the former holding 30% and the latter holding 70%. For the initial capital of $2.38 billion, Laos will need to pay $730 million in yearly instalments, of which it will borrow $480 million from the Chinese EXIM bank and cover the rest from the budget. It will pay an interest at 2.35% for the first $50 million instalment, and 3% thereafter. The joint venture company will secure the remaining 70% of the project costs through the BOOT scheme. As collateral for the loan, China will get exclusive concession revenue from two bauxite and three potash mines, and likely more land concessions on either side of the railway track. The railway project is equivalent to over three quarters of Laos' annual GDP, with uncertainty not only over its growth benefits, but much more uncertainly over what the likely consequences and course of

[64] Agreement between the Lao government and China Railway Int'l. Co.: http://www.mpwt.gov.la/attachments/article/1286/ເອກະສານໂຄສະນາເຜີຍແຜ່ນຳພາແນວຄິດກ່ຽວກັບໂຄງການກໍ່ສ້າງທາງລົດໄຟລາວ-ຈີນ.pdf

events will be if it operates at a loss and Laos is unable to sustain the debts with its future economy. The calculated economic benefit of the railway is estimated at 31% for China, 8% for Thailand and 1% for Laos according to a review by the Japan External Trade Organization (JETRO) and Thammasat University (Janssen 2017). Historically, burden shifting for expensive railways which connect larger powers to other destination points have not worked out economically or politically well for hinterland states, such as the debt burden inherited by the Serbian and Bosnian territories of the former Austro-Hungarian empire in its quest to build the Oriental Express (Souvannaseng 2011). Economic burden shifting for infrastructure connectivity to host states has been a classic pattern in the rise of the Dutch, Portuguese, American, and Japanese periods of trade dominance (Bunker and Ciccantell 2005). Many inside Laos worry things may not bode well for its economic future: 'they (who decide) should be worried about the debt, we are running Dutch disease and close to danger' (O8, June 2016, pers. comm.).

As an ethnic Chinese-Lao and the only fluent mandarin speaker of the 9 person Politburo, former Deputy PM Somsavat Lengsavad has often been portrayed in media accounts as the lynchpin for large Chinese state-backed projects in Laos, from the national stadium and marsh projects to the railway project and casino complexes along the Golden Triangle, however the railway project and all the other projects were approved unanimously by the whole politburo and the central committee, which is composed of provincial leaders from all regions. Lengsavad retired from politics in the typical career-ending style of many notorious Mekong politicians, by becoming a monk at the age of 71. Former Secretary General Sayasone was also replaced at the 10th Party Congress in what some have speculated as a ‘pro-Vietnamese’ shake-up of the party ranks, however their departure from the commanding heights of the Lao party in 2016 did not spell an end to the process of ‘reversing the second image’ from the north, which I argue began with the courtship of Lao party leaders during the ‘Golden Decade’ of relations from 2003-2013 and have become institutionalized and entrenched more broadly and deeply during the ‘Diamond Decade’. Sino-Lao investments which began as local district and provincial-level courtship in the mining, agriculture, forestry and small-hydro sectors following the reforms discussed in chapter 3, grew into larger scale business courtship discussed in chapter 4, but the re-alignment of the levers of the Lao state to external interests and the intensification of external political influence in subordinating local interests to outside interests – a move from political courtship to political management – belongs to the post-2010 period.

In both Laos and Thailand, courtship of the centre became management of the centre by Chinese interests in the examples of the railway, marsh, and dam projects; Sino businesses and state authorities politically, diplomatically, and economically cultivated the core echelons of Thai and Lao politics to achieve broader geopolitical and economic policy aims in spite of native elite critique, popular critique, international condemnation from the IMF, World Bank, ADB, MRC, and a host of non-governmental organizations as well as regional objection from neighbouring states such as Vietnam and Myanmar. They were successful despite changes in leadership, but they were most successful and able to intensify policy aims by resorting to the autocratic powers of host elites.

More than an exercise of soft power (Josh Kurlantzick 2006), China’s engagements in developing countries has been based on a principle of ‘non-interventionism’ with anti-colonial overtones similar to the Monroe Doctrine and a ‘south-south’ cooperative rhetoric similar to the Good Neighbour policy of the US Roosevelt administration in Latin America. The language in the 2008 Accra Agenda which China insisted upon reads:

> South–South co-operation on development aims to observe the principle of non- interference in internal affairs, equality among developing partners, and respect for their independence, national sovereignty, cultural diversity and identity and local content. It plays an important role in international development co-operation and is a valuable complement to North–South co-operation (Accra Agenda p.18)

However, in practice the extensive reliance on autocratic and despotic powers in host states to enforce Chinese foreign policy objectives goes beyond the issue of tied aid in development to a subversion of national interests in host states in a pernicious manner. The rhetoric of ‘non-interventionism’ feigns political agnosticism and is an implicit rebuke of ‘good governance’ measures advocated by OECD-DAC members. However, Chinese development assistance is highly political and interventionist in its own right, by forging relations which will bend to the will of Chinese state and commercial interests over that of domestic actors. In this way, it is biased towards reliance on personalistic or autocratic power to achieve outcomes and may even augment and perpetuate autocratic decision-making.

‘Aid with Chinese characteristics’ as lauded by Wen Jiabao in 2010 and repeated in the 2011 White paper is not entirely aid, it is not always concessional, it does not abide by the norms of the Paris Declaration, but more than that, although it may be ‘developmental’ in aim, it is also exploitative and asymmetric in the Lao context. China and Thailand ratified the 2006 Vientiane Declaration, a national adaptation of the Paris Declaration and the later 2008 Accra Agenda for Action, all efforts by OECD-DAC and some non-DAC actors to socialize the following donor norms:

> The Paris Declaration and Accra Agenda for Action are founded on five core principles, born out of decades of experience of what works for development, and what doesn’t. These principles have gained support across the development community, changing aid practice for

> the better. It is now the norm for aid recipients to forge their own national development strategies with their parliaments and electorates (ownership); for donors to support these strategies (alignment) and work to streamline their efforts in-country (harmonisation); for development policies to be directed to achieving clear goals and for progress towards these goals to be monitored (results); and for donors and recipients alike to be jointly responsible for achieving these goals (mutual accountability)

The Vientiane Declaration however is non-binding and neither China or Thailand participate in the sectorial working groups or coordination meetings of the annual national roundtables. In effect, as non-DAC donors, China and Thailand have kept a minimal presence in multilateral diplomatic affairs but are not interested in harmonization efforts.

Significantly for Laos, where development runs on BOOT-style project finance, no Thai institutions and only 2 Chinese institutions abide by the Equator Principles, the risk management framework adopted by financial institutions for assessing social and environmental risk in project finance. There are 91 financial institutions in 37 countries who have adopted the Equator Principles but none in ASEAN; the two firms (Bank of Jiangsu and Industrial Bank Co. Ltd) in China do not include the world's largest hydropower or railway engineering firms. It could be argued that participation is non-existent as China seeks to set up its own global governance institutions and norms, such as the Asian Infrastructure Investment Bank, Silk Road Fund and the New Development Bank. Signs however, point to a weakening of environmental and social safeguards by the World Bank in its 2012 round of review to 'quicken the safeguard process,' presumably to 'compete' with new institutions and their lax and voluntaristic approach to environmental and social safeguarding (World Bank 2012).

From 'Silent Revolution' to Silencing Voices

Laos' state-led enforcement of foreign land concessions over the course of the 'Golden Decade' of NTD investment and the grievances it engendered were met with draconian measure. The high period of Sino-Lao intensification of political and economic goals post-2010 coincided with the apogee of public angst over land dispossession. Without an open press or the right to independently organize – grievances flooded any public spaces that were officially allowed. As the National Assembly prepared to ratify the mega-railway agreement in 2012, Vientiane was also slated to host the high-profile Asian-Europe (ASEM) summit that same year. Ahead of the summit, with official approval from the deputy prime minister Thongloun Sisoulith, the Asia-Europe People's Forum was organized to bring together Lao community leaders to share their experiences. Within a working group on land issues, a participant discussed how foreign rubber plantations were impacting people in her ethnic group and expressed that many did not want to become labourers on concessions (Creak 2014; Luangkhot 2013; Pearce 2013). The participant was quickly denounced by officials in attendance who also filmed and photographed AEPF proceedings. Police officials questioned the participant further in her home village, instilling an element of harassment. In an effort to mediate the situation and quell the atmosphere of intimidation, the organizer of the AEPF, Sombath Somphone- founder of the Lao Participatory Development Training Centre, a Lao-run sustainable development organization, and a 2005 Ramon Magsaysay award winner for social activism- organized a meeting with government officials to resolve the matter (Pearce 2013). Prior to the People's Forum, Sombath had also written a paper titled, 'Hear the People' urging the government to listen to public opinion and had helped develop a DVD titled, 'Happiness of Laos' which was blocked and confiscated by authorities because it featured diverse viewpoints from Lao people on the meaning of happiness, including spiritual over material values which ran counter to the country's socio economic development plan (Luangkhot 2013). A month after the high-profile diplomatic ASEM summit had concluded, Sombath was stopped at a traffic light in the capital city, forced into a car and has not been found since. CCTV footage of his abduction was attained by his wife and offers of international assistance to examine the original footage for further details were declined by authorities. The UN Working Group on Enforced or Involuntary Disappearances (UNWGEID) reported to the UN Human Rights agency that Sombath and his car had been sighted after his disappearance at a police detention centre and later a military camp outside the capital (Creak 2014). Days prior to Sombath's disappearance, Anne-Sophie Gindroz, the director Helvetas, a Swiss agricultural development NGO was ordered to leave the country for having notified foreign donors of 'serious constraints on freedom of expression' in Laos, accused of waging an 'anti-government campaign.'

The impact of the 2012 events and Sombath's continued enforced disappearance are significant in their silent but powerful message to the Lao public and civil society actors in and outside Laos concerning the state's development programme. One social activist and educator who agreed to be interviewed only outside Laos was so disheartened by the events and their implications that he decided to shift his organization's focus and reach to other countries in the region, not out of fear, but out of pessimism.[65]

Other official channels for public grievance were also shut down in the Sino-Lao high period. For a brief while, the Lao national assembly opened a hotline number (156) for the public to call parliament while it was in plenary, but it was disconnected in 2013 after public anger over land disputes continued to flood the lines. A public radio program which had run for four years was also shut down in

[65] F1, 2016.

2012 after callers frequently phoned in to discuss their land grievances without being solicited. With public spaces unsafe and unsuitable for discussing simmering issues, cyber dissidence has become Laotians' primary space for airing views.

In June 2015, a posting was made on Facebook with leaked government documents exposing a concession agreement between Khampheng Sayompheng, governor of Luang Prabang province and Chinese firm A-Cho Group Company for the privatization of the popular Khouangxi waterfalls in Luang Prabang, part of a state park. The post provoked widespread outrage in a country already simmering with land disputes. Sayompheng is the son-in-law of former Lao President Khamtay Siphandone and married to the president of the State Audit Organization. Within days a young woman from the provincial Natural Resources and Environment Department office was detained and held for questioning. Other forms of cyber dissidence for local reports on corruption and satire have emerged through the filter of voice and face concealing apps. Political pundits in contemporary Laos take the form of identity-concealing cyber-animated talking cat personas which share views on a range of topics from cabinet conspiracies following the 2014 plane crash of Lao Defence Minister Douangchay Phichit to the pedestrian politics of the everyday.

A rising tide of discontent over foreign land concessions, illicit logging and government corruption reflects the misalignment of values and interests between different levels of the state and civil society in Laos – they are the outcome of the government's alignment with the interest of foreign investors and external partners who fund the mega-projects that are immiserating the many for the wealth of a select few. The 'non-interventionist' nature of non-DAC donors not only de-politicizes human and civic rights claims, but draws attention away from the paradoxically deeply political ways in which external relations with central authorities shape conditions for dispossession, fraudulent waste, and government unaccountability.

Things Fall Apart

> 'I haven't been paid for the last three months, since April… meanwhile, the parking lot of the Tax Department looks like a new car dealership..' – D1, July 2013

> 'We can't just assume that it doesn't matter if their salary payment…is prolonged for months and they (officials) won't resign. It's wrong. It is our moral duty as administrators. It is their legitimate right (to receive their salary promptly).' – Lao Prime Minister Thongloun Sisoulith 2016

As the Lao government's resource-based growth regime has shifted to taking on larger projects and concessions to bolster its legitimacy, solidify allies, and pursue growth, it has consistently been justified on economic development grounds. However, deteriorating employment and livelihood conditions for rural and urban Lao citizens stand as an indicator and indictment of the shortcomings of the state's resource-based growth policy, the state's economic mismanagement of revenues and projects, and the foreign interests that have been served at the expense of Lao public interest. My fieldwork period from 2013-2014 coincided with a year of civil service reform marked by a politics of austerity and an unpublicized balance of payments crisis in a country which has reported consistently high growth rates for over a decade. These events signal a disparity between a country riddled with crater-sized 'potholes', high rates of child malnutrition, and unpaid civil servants and the future-forward image cultivated by high-speed railways, 'low middle income country' designation, and growth rates which mask repatriated profits. Lao authorities have attempted to leap-frog into the future by striking Faustian bargains with non-traditional donors and private investors. The result is a series of contradictions, social displacement, environmental degradation and an economy very vulnerably at risk of crisis.

By late autumn of 2013, the GoL quietly abolished the living allowance paid to civil servants (equivalent to 760,000 kip or $92) in addition to their monthly wage of 500,000kip ($61). The living allowance could be paid in kind in the form of state coupons for phonelines, gas, food, or electricity. Civil servants from a number departments from the military to district and village level teachers did not receive their salaries for at least 3-5 months. The country's exchange reserves were just over 80% of one month's imports, inflation ran at 7.5% and the current account deficit was 28.5% of GDP that year (IMF and IDA 2013). By September, the Prime Minister Thongsing Thammavong announced that the country was facing a high level of debt and near crisis, prompting the suspension of government payments to contractors. Rapid credit expansion and off-budget capital expenditures were contributing to an overheating of the economy. The poor state of public finances despite strong growth but lack of productivity growth in Laos contrasts with the state's developmental goals. Murmurs around the capital pointed to 'ghost projects' – numerous projects contracted by the state and paid for that never manifested themselves. The state audit committee has taken several further years to tackle the issue of 'ghosts' haunting public finances.

Conclusion

Lao elites have struck a Faustian bargain in cultivating creditor-borrower relationships with Chinese policy lenders out of spite for the OECD aid regime; out of necessity to finance its development ambitions in a context of shrinking concessional lending; and out of uncertainty about what the future winds of development finance will hold. They are taking what they can get while they can get it. As I have discussed in this chapter, the Lao-Sino partnership has allowed the regime to partake in what Timothy Mitchell has called the 'performativity of state-making' but the act can't last forever. Despite a cascade of showcase projects, real, tangible, structurally transformative and emancipatory development has not been policy engineered in Laos and it is withering away at its core. Based on ethnographic research attained through deep, sustained exposure, to acquire what ethnographers call 'insider meanings,' I asked Lao elites candidly how they felt about being labelled a client state and their responses revealed a strategy in which they believe they will benefit in the long term from the Faustian bargain with China's chequebook while maintaining their political sovereignty, despite a plethora of contemporary evidence to the contrary. Lao finances are in shambles and the staggering and concentrated levels of debt it has borrowed from Chinese lenders has allowed Chinese firms and their diplomatic representatives to 'court the centre' of Lao government in converting their economic leverage into geopolitical gain at the expense of Lao autonomy and sovereignty. It has made the Lao government unpopular both at home and abroad, and it reflects the dynamics of comprador politics described by Cardoso & Faletto (1979) in the politics of enclave dependency. Changes in the global development finance landscape and Laos' structural position have made it an exemplar of the losing end of south-south polarization, as it is faced between 'a rock and hard place' between hardened OECD access and highly asymmetric terms of lending with a bilateral partner. It's time to bring dependency back into the analysis of south-south non-DAC lending.

Chapter 6

Conclusion
Losing Ground

In this dissertation, I have attempted to explain a phenomenon I uncovered during fifteen months of political ethnographic research in Lao PDR. My immersive participant observation and extensive semi-structured and structured interviews with urban and rural Lao officials across eight ministries revealed a common shared 'catch-up' perspective which saw foreign finance for hydro-energy and infrastructure projects as prototypically developmental and framed these projects as good for Laos. And yet, as Laos has been able to attain more and more development financing, it has been unable to attain pro-poor emancipatory developmental outcomes. This thesis has been motivated by a desire to get to the heart of the paradox between finance and developmental outcomes, asking the question, 'what is the role of finance in producing 21st century dependency?' As a secondary set of questions, I was interested in asking why sources of development financing in Laos had shifted from OECD-development assistance committee (DAC) donors to non-OECD bi- and multilateral Asian private and state-backed investment?

In researching the original question, the relationship between finance and developmental outcomes in Laos, I made two important and related counter-intuitive discoveries. First, through over fifty interviews with Lao officials, I came to understand that Lao elites see regional investors as, to them, merely solving a savings-gap dilemma. Put differently, they believe their main problem is one of capital constraint, that insufficient domestic savings to achieve their economic objectives can be solved by external borrowing in the short run. Asian economies which Lao elites hold in esteem such as South Korea and Thailand both borrowed from foreign savings to finance their industrialization[66]; in the same manner, Lao elites believe they can finance their way into future autonomy through regional borrowing from foreign policy and commercial banks for long term development projects. The large amount and pace of debt accumulated to a small set of concentrated foreign actors was less of a concern than a means to a developmental end. Some saw it as their civic duty to facilitate private sector finance in the name of development, despite popular backlash.

Another significant counter-intuitive finding is that more access to external lending has not expanded access towards reaching developmental goals, but rather has had the opposite effect. More access to alternative forms of financing in Laos has not created additional finance, instead it works to shift liabilities into the long run and constrain autonomy and sovereignty in the short to medium term. In thinking about the relationship between finance and development, I began my doctoral fieldwork curious as to whether perceived windfalls from resource and energy exportation could be harnessed to finance social protection programmes. What I discovered through sustained in-country exposure which allowed me to build deep relational networks and cultivate strong trust and research ties with informants was that there were no windfalls to speak of, and that in the year of my fieldwork, the government of Laos experienced an unpublicized balance of payments crisis which at one point saw foreign exchange reserves only able to cover just 80% of one

[66] For more on this, see (Frieden 1981; Fischer 2018)

month's imports. Through snowball interviews, I learned that some civil servants had not been paid their salaries for months; the civil service was undergoing austerity measures, social spending was low while child malnutrition was high. At the same time, it seemed a new high profile dam, road or other mega-project was being launched from week to week. Alternative development finance channelled into infrastructure and hydro-energy projects served to 'crowd out' public investment and spending.

Taking the first and second insights together, Lao elites are under the illusion that they are unconstrained by capital given an array of alternative financing sources and actors able to tap into large pools of lending from global capital markets. Lao elites take on more external borrowing because they think that merely solving the capital constraint is necessary and sufficient in and of itself to deliver developmental outcomes in the long run, while delivering poor distributive and productivist developmental outcomes in the short to medium term. As they take on more borrowing, the contractual public-private-partnership (PPP) and build-own-operate-transfer (BOOT) arrangements preferred by some creditors, while the engineering-procurement-construction (EPC) contracts preferred by other creditors do not generate additional finance for Lao public coffers and in fact, crowd out public investment and enhance long term liabilities. Concentrated economic borrowing from private and state-backed institutions in China and Thailand enhances Laos' geopolitical vulnerability and loss of autonomy and sovereignty, as foreign creditors are able to use economic relations for political leverage. It's time to 'bring dependency back in' to objectively capture the asymmetric dynamics at play which Lao leaders are unable or unwilling to acknowledge.

Thirdly, I interviewed domestic and foreign hydro-industry experts, specialist regional scholars, as well as domestic and foreign hydro and energy officials to ask about the changing composition of share ownership in the hydro-industry sector. This quickly led to educating myself on the corporate financing, technical and civil engineering aspects of hydro-energy, energy market and tariff pricing economics of cross-border energy trade, and by engaging in the technicalities of hydro-industry finance and engineering, I could socially map and interview all relevant actors within the sector. A surprising and critical empirical finding is that multinational firms from neighbouring China and Thailand work in coordinated manner with their co-national commercial, or in the case of China- policy banks, and governments to lobby for hydropower projects (HPP). Project developers, construction firms, and independent power producers (IPPs) invest in shareownership of HPPs as a way of generating returns on the stock exchange through the project investment cycle. This essentially amounts to the financialization of dams in Laos as a way for multinational firms from neighbouring countries to raise funds on the stock exchange through legal finance constructions called special purpose vehicles which serve as holding companies which can be publicly listed. As such, dams in Laos (and other forms of infrastructure) have become speculative returns-bearing assets for foreign state capitalist business groups. The rise of non-OECD development financing from China, Thailand, Korea and other Asian emerging economies invest in Laos under the guise of developmentalism while searching for high financial returns. Interviews with Lao hydropower officials were frank and telling. Lao elites have pivoted away from OECD-DAC donors and multilateral development banks (MDBs) due to both lack of concessionary soft lending and grants for infrastructure projects and due to the lengthy process associated with OECD-DAC involvement in HPP projects. Prioritizing expediency, the Lao experience with the World Bank project planning, safeguarding and financing process for Nam Theun 2 has directly influenced their preference for Asian regional private investors who offer ‘fast finance’ for infrastructure projects. Shared historical, regional and cultural similarities should not be taken for granted as factors in the preference of state officials for certain national business groups over others. While PPPs and bilateral sovereign to sovereign package arrangements are not a first best solution, from the perspective of Lao officials, they are what is currently available and politically expedient.

Detailed engagement with historical and secondary literature on Lao development finance over the last thirty years yielded questions which were followed up via interviews with scholars and experts inside Laos and in Bangkok, particularly with regard to the Thai electricity sector. Despite contemporary rumblings of competition between OECD donors and emerging non-OECD development finance actors, the Lao case demonstrates continuity as well as change between the two regimes. Regulatory and bureaucratic reforms initiated by the World Bank in the 1990s- market transition period to liberalize Laos’ investment environment and trade along with the introduction of tools of modern finance to support the NT2 dam project created the legal, institutional and financial underpinnings which enabled a cascade of investment from Asian state-business groups in the late 2000s seeking a market for investment.

I argue that Laos has shifted to new and deepened forms of economic and political dependency by being incorporated on disadvantageous terms into the post-Cold War international political economy. This incorporation occurred after a significant shift in development finance regimes from a post-WWII bank-based and industrial lending paradigm to a new capital market-based, portfolio-driven regime dominated by finance capitalism. Significantly, differential temporal access to development lending regimes by 'late-late' and 'very late' developing countries has contributed to polarization between developing countries of the south. Advantages accrued to 'emerging' economies who gained access to earlier financing regimes, enabled public ownership and financing of long-term investment projects on highly concessional grounds. These economies have been able to use their advantages to constrain the development of later developing and poorer nations who require long term investment and are accessing finance on much harder terms than previous generations.

These early mover advantages within the developing world have come to play a tremendous role in structuring development finance relations *between* south-south actors in the contemporary period. The 'financial turn' in the wider global economy has driven new types of unequal and asymmetric development and between new sets of actors who are based in the global 'South' rather than the traditional OECD 'North'. For Laos, this has meant neighbouring states and their affiliated firms have been able to use both their proximity and early mover advantages to extract financialized value from Laos under the guise of financing development. Although Laos is faced with the illusion of access to more forms of alternative financing today than ever before, the global economic terrain of contemporary development finance functions more like quicksand as the terms and risks of borrowing have shifted significantly in favour of creditors.

As a result, Laos has been economically and environmentally hollowed out by terms of engagement with regional private and bilateral forms of non-OECD Asian development finance which operate according to the self-interest of the state capitalist motives driving their approach to aid and diplomacy. It has allowed the building of dozens of hydropower dams which has raised geopolitical tensions with its downstream Mekong neighbours; it has allowed and in some cases driven land conversion for the purposes of mining, plantation agriculture, mega-casinos, and hydropower reservoirs while driving land conflicts and public ire from its populace, and it has done so in pursuit of autonomous development while ensnaring itself ever more deeply in concentrated relations of debt and dependency with its wealthier Asian neighbours. Laos' declining autonomy is mirrored in the declining share of ownership it now holds over each the 'temples of modernity' built on its rivers; from 100% ownership in the first project in the 1970s, Lao ownership in large scale dams dropped to 40% then 25% and 20% ownership under the OECD-MDB PPP regime, and now no longer goes above 10% in its 90:10 bilateral packages with Chinese firms and policy banks.

The empirical analysis of the seemingly small and innocuous institutional innovations which have significantly allowed for large shifts in development finance actors and creditor-borrow relations in Laos comprise the bulk of this dissertation and are encapsulated in four chapters which historically trace Laos' evolution as it shifted from Cold War Soviet aid reliance to the OECD-DAC aid regime and its subsequent pivot towards Thai and Chinese private and bilateral finance.

The state of underdevelopment from which Laos emerged from first the French colonial period of corvee labor and brute extraction only to be followed by the devastation of modern bombing and warfare in the US Vietnam proxy war form the basis of chapter two, which gives the reader a foundation of from just how far Laos came from behind in the 'late developmentalist' horizon. Reforms undertaken by OECD agencies and multilateral banks in chapter 3 and 4 led to perverse outcomes, but demonstrate Laos' reliance on external actors to carry out the infrastructural duties of the state. Conservation efforts to create zones of environmental protection inadvertently made land legible for concession making, sparking a re-alignment of Lao state elites towards facilitating external private sector interests in chapter three. Bretton Woods institutions intended to further a public-private-partnership (PPP) agenda; they instead paved the way for the expansion and deepening of financial markets in the name of development led by Asian emerging country multinationals and supported by their home governments eager to transform 'national champions' into international powerhouses in chapter 4. Chapter 5 illustrated how Laos' biggest foreign investor silently cultivates diplomatic clout in matters of diplomatic and domestic affairs. When the business or foreign policy interests of Laos' external donor clash with local or national interests, Chinese firms or their intermediaries 'court the centre' to supersede local laws and interests. Chinese interests forum shop upwards to the commanding heights of the state, relying on the allegiance of autocratic elites to enforce external interests at the expense of local public interest. Each of these chapters form the stepping stones to a cumulative glide into a distinctly twenty-first century mode of dependency which is made possible through development finance relationships driven by the search for financialized profits.

South-South Polarization & Proximate Dependency: Bringing Dependency Back In

Moving beyond the empirical aspects of the dissertation, this thesis makes a significant, valuable, and ground-breaking contribution to scholars and practitioners of comparative and international political economy and development studies by upending the 20th century classic dependency formulation of direct exploitation as happening between centre and periphery nations to instead focus attention to new relations of dependency occurring *between* south-south actors.[67] I believe that this work makes some theoretical innovations that might open up the IPE and development finance literature more broadly to the developing world by 'bringing dependency back in' to the analysis.

I introduce the notion of *proximate dependency* to capture the new and pernicious dynamics of exploitation occurring *between* developing countries- economies of proximate developmental distance to each other- in the 21st century. As such, it situates itself against popular discourses of the 'rise of the south' and scholarship which paints developing countries as headed towards convergence between states (Akyuz 2012; Horner and Hulme 2019; Saad-Filho 2014). It also speaks to literature that continues to lump very late or least developed countries with middle income or 'emerging' economies into the same acronyms, from EMDS (emerging and developing countries) to DTCs (developing and transition economies) to DECs (developing and emerging countries) (Gabor 2018a; Grabel 2019; Saad-Filho and Tomkinson 2017). It speaks to the importance of the issue as not merely a semantic matter but taking seriously what Andy Sumner calls the 'polarization of developing countries' (Sumner 2019) as a phenomenon and dynamic worthy of acknowledgement and study in itself. This study is a first step in characterizing this polarization as featuring asymmetric and dyadic dynamics.

Furthermore, I elucidate how south-south asymmetric relationships work distinctly through mechanisms of *financialization,* understood in Greta Krippner's formulation as profits accruing primarily through financial channels rather than trade or commodity production (Krippner 2005). This marks a unique, much needed and

[67] I utilize south-south here; some structuralists and world systems adherents would characterize the shift as one of moving from centre-periphery dynamics to cannibalism between the 'semi-periphery' and periphery.

important scholarly contribution by updating the temporal and ontological landscape to reflect the dynamic realities of the contemporary global political economy. The formation of transnational securitized loans and sovereign bonds which can be sold and traded on capital markets in the raising of financing for hydropower and other infrastructure development projects constitutes the financialization of infrastructure – formerly a public good- and its transformation into an asset class. It also constitutes the subversion of aid into development finance by non-western / non-OECD development assistance committee (OECD-DAC) actors from the global 'South'. As such, this thesis makes a distinctive contribution by drawing attention to and shedding light on a significantly under-researched area: the role of non-OECD actors in development finance *from a recipient perspective*.

It also speaks to scholarship originating from within the OECD which has tried to make sense of both the proclaimed demise of official development assistance (ODA) aid and the shift to market-based and self-interest seeking development finance, under the G20's Maximizing for Finance Agenda (Gabor 2018a; Mawdsley 2018; Murray and Overton 2016). Such literature often takes as its historical starting point the 2008 global financial crisis as the origin for the shift to the re-engineering of public goods and particularly infrastructure as an asset class for institutional investors, primarily with Wall Street in mind. While the 2008 GFC may have catalysed a formal declaration of the abandonment of Paris Declaration principles, this literature would still stand to benefit from this study and more studies the developing world outside the OECD which illuminate how the financialization of infrastructure and development more generally have already occurred in other regions and out of other crises. In the case of this thesis, the post-1997 Asian Financial Crisis and re-structuring of Chinese state owned enterprises in the early

2000s were a catalyst for the 'go out' strategies of Asian state capitalism seeking to globalize and investing in Lao hydropower projects as a means of generating financialized returns on capital markets. As such, it serves as a bellwhether case for OECD-centric studies of development finance, but also a call to broaden and widen the scholarly geographic and temporal spheres of analysis.

This study interstitially sits between the literature on state capitalism and its outward oriented variants (Jeong 2014; Joshua Kurlantzick 2016; Liebman and Milhaupt 2015; Musacchio and Lazzarini 2016; ed. Nolke 2014; Pananond 2008; Sauvant and Nolan 2015) and the literature on international development and finance, of which a new wave of scholarship is expanding the taxonomy on the plethora of alternative financing sources emerging in the global financial architecture (Chin and Gallagher 2019; Grabel 2019; UNCTAD 2015). This study innovatively engages and integrates these two bodies of scholarship while also trying to incorporate aspects of analysis on financial globalization (Acharya, Khandwala, and Oncu 2013; Awrey 2015; Gabor 2018a; Pistor, Li, and Chun 2015). It makes a contribution in trying to advocate for more of this dialogue between the three bodies of scholarship in hopes that it will continue to yield more interesting and rigorous analysis that captures what in the empirical realm is already overlapping and entertwined. Importantly, the literature on the external relations or outward investment of state capitalism naturally tends towards what Gore calls methodological nationalism, however the geopoliticization of the development aid and finance literature and its political and economic geography variants- because it often takes a macro-level perspective- would stand to benefit from interfacing with the domestic political economy and national backstories of the state capitalist literature in hopes of meeting somewhere in the middle as scholarship and aid are both becoming increasingly geopoliticized around issues of foreign policy and finance (Bräutigam 2011; Gabor 2018b; Grassley, 2018; Murray and Overton 2016; Naím 2007).

In unpacking the development epistemology of Lao leaders around the savings-gap and its nexus with the outward investment of state capitalist groups, this finding is a contribution to scholarship for two key reasons: firstly, studies in comparative political economy and development finance seldom conduct sustained, immersive, micro-level research using ground techniques which examine the social, historical and cognitive bases of the development epistemologies of developing country elites, particularly not in authoritarian and Southeast Asian contexts; and secondly, the broader international relations, development studies and political economy literature has several studies which look at the changing international sociology and politics of aid and development finance from a 'rising powers' approach, but few study the cosmology of recipient nation decision-making 'from below.'

With respect to the accumulated scholarship on the political economy of Laos, Creak & Barney have lamented the dearth of contemporary political economy studies of Laos since the mid 20th century Vietnam War era of political science scholars who accompanied US operations in the country (Creak and Barney 2018). The contemporary scholarship on Laos has primarily resided in the field of environmental, economic and political geography and has been popularly focused on plantation agriculture and large scale land acquisition matters (I. Baird 2011; Broegaard, Vongvisouk, and Mertz 2017; Kenney-Lazar 2015; Lu 2017; Mcallister 2015; Schoenweger and Ullenberg 2009; Zoomers 2010). Such scholars have often taken a Foucaultian 'governmentality' approach applied domestically vis-à-vis the

Lao state to explaining processes of primitive accumulation or have interpreted David Harvey's formulation of accumulation by dispossession into their own work to focus on dispossession at the front lines of land eviction and its direct impact on communities through site-specific research. This study deviates from this approach to look at the global and regional financial drivers of Lao accumulation by dispossession and as such, makes a contribution to the extant literature by way of diversifying approaches and aspects of research.

Implications: From Flying Geese to Belt and Road?

My arguments concerning asymmetric south-south relations which are characterized by better off developing countries working to constrain the development and autonomy of less well-off developing countries through relations of development finance which are underpinned by financialized motives have implications for scholars and policymakers interested in issues around long term financing of development.

They relate to the literature on neo-developmentalism and developmental states around the issue of financing. Neo-developmentalist scholars advocate, like developmental state scholars, heterodox policies and self-financing of development over borrowing (Bresser-Pereira 2005, 2006; Sicsu 2006), although some developmental states borrowed from foreign savings to finance industrialization (Fischer 2018; Frieden 1981).

A central argument of my research is that differential temporal access to 'kinder' or 'harsher' development financing regimes matter for competing and polarized developing countries within the global 'south'. 'Kinder' DF regimes map on to the post-WWII Bretton Woods system defined by concessional and grant financing and conditioned by principles enshrined in the terms of the Development

Assistance Committee and Paris Declaration, and the latter defined as a 'pluri-polar' regime of self-interest dictated by the terms of the creditor. As such, the neo-developmentalist call for developing countries to self-finance their own development requires considering structural positionality within the global financial architecture. Larger 'emerging' economy countries stand to benefit from the international system at its current historical conjuncture. I am not advocating structural determinism of the neo-Marxist variant, but for many countries, the deflationary character of the international political economy marked by overcapacity for exports and global imbalances and Chinese slowdown of commodity imports does not bode well for their prospects of self-financing development through exports. It goes some part in explaining why some of the poorest countries in the international system have opted for bilateral Sino policy-lending and/or have signed on to the Belt and Road initiative.

The implications are, therefore, that the international political economy of the 21st century as I have characterized, it is not one in which developing countries will be integrated into the global economy through manufacturing via the product cycle and the external relations of the developmental state, as was the premise under Akamatsu's 'flying geese' model, nor will they achieve dependent development through an alliance between MNCs, national state and local business as Evans documented in the 1970s (Akamatsu 1962; P. B. Evans 1944- 1979). The terms of incorporation for developing countries on the needier end of the spectrum will occur through *financial* channels, rather than trade and production, and the older routes to economic growth and industrialization from the 20th century, I argue, are becoming less viable for some developing countries. It does not mean development is impossible, but it means that new strategies will have to be developed and that there are serious disadvantages to 'very late' development or the condition of 'backwardness' in the Gerscenkronian sense (Alexander Gerschenkron 1962). The core observations of classic dependency, that developing countries are much more constrained by global markets than their wealthier counterparts, hold.

In the meantime, the question of debt-financing – whether it will remain sustainable for creditors and for how long; which countries should pursue it, how much of it, for what purpose and how to manage 'appetite' for debt, as well as how re-financing issues will be resolved in the case of bilateral sovereign debt (with China) all remain open questions and lines of future inquiry.

In formulating this project and executing it, I have recognized some important lacunae that deserve to be addressed in terms of extant gaps and future lines of enquiry.

First, further interview and secondary data on a wider array of south-south infrastructure investment within Laos and an updating of data collection is necessary. My research conducted in 2013, and briefly in 2016 occurred in the context of the beginning of the Belt and Road period before negotiations had been finalized. It would be fascinating to see whether and how terms of lending now operate and what kind of project or package finance structures hold. Also, do some development financiers prefer certain modalities of financing over others, and if so, which and why? Are there different environmental outcomes attached to different lender processes?

Second, I believe that this project would be substantially improved though engagement with secondary literature and current research on comparative cases, for example, do dyadic hydro-lending patterns between South Africa and Lesotho mirror Thailand and Laos? Do hydro-lending patterns between Thailand and China in other

Mekong cases (Vietnam, Cambodia, Myanmar) hold? These would serve as useful points of comparison.

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Appendix

I. List of Interviews

Ind. Code	Inst. Code	Location	Party	Date
O1	D1	IC	Y	Nov-13
O2	D1	IC	N	Nov-13
O3	D1	IC	N	Nov-13
O4	D2	IC	Y	Oct-13
O5	D2	IC	Y	Jan-14
O6	D2	IC	Y	Feb-14
O7	D2	IC	Y	Oct-13
O8	D3	IC	Y	Sep-13
O9	D3	IC	Y	Jul-13
O10	D3	IC	Y	Apr-14
O11	D3	IC	Y	Sep-13
O12	D3	IC	Y	Oct-13
O13	D3	IC	Y	Mar-14
O14	D3	IC	Y	Mar-14
O15	D3	IC	Y	Apr-14
O16	D3	IC	N	Apr-14
O17	D3	IC	N	May-14
O18	D4	IC	Y	07/2014; 09/2016
O19	D4	IC	N	07/2014; 09/2016
O20	D4	IC	N	Jul-14
O21	D4	IC	N	Jul-14
	Foreign Civil Society			
FNG1	NG1	IC	NA	Sep-13
FNG2	NG2	IC	NA	Jan-14
FNG3	NG3	IC	NA	Feb-14
FNG4	NG4	IC	NA	Nov-13
FNG5	NG5	IC	NA	Apr-14
FNG6	NG6	IC	NA	Apr-14
	Foreign Reasearchers			
FRS1	I	OC (TH)	NA	Sep-14
FRS2	U1	OC (TH)	NA	Sep-14

FRS3	U2	OC (TH)	NA	Sep-14
FRS4	U3	OC (TH)	NA	Sep-14
FRS5	I	OC (TH)	NA	09/14;09/2016
FRS6	I	OC (UK)	NA	09/14;09/2016
	Domestic Hydropower			
DH1	DH1	IC	Y	Jan-14
DH2	DH1	IC	N	Jan-14
DH3	D2	IC	U	Sep-16
DH4	D2	IC	U	Sep-16
	Foreign Hydropower			
FH1	FHC1	IC	NA	01/2014; 09/2016
FH2	FHC2	IC	NA	01/01/2014; 09/2016
DI 1	DI	IC	Y	1-9 2014
DI 2	DI	IC	N	3-9 2014
DI 3	DI	IC	N	3-9 2014
DI 4	DI	IC	N	2-9 2014
DI 5	DI	IC	N	11/2013 - 9/2014
DI 6	DI	IC	N	09/2013-09/2014
DI 7	DI	IC	N	09/2013-09/2014
	Foreign Informants			
FI1	FI	OC	NA	09/14; 09/16
F2	FI	OC	NA	09/14; 09/16
F3	FI	OC	NA	09/14; 09/16
F4	FI	OC	NA	09/14; 09/16
F5	FI	IC	NA	Dec-13
F6	FI	IC	NA	May-14
F7	FI	IC	NA	Jun-14
F8	FI	IC	NA	Jun-14
F9	FI	IC	NA	Jul-14
F10	FI	IC	NA	Feb-14
F11	FI	IC	NA	Aug-14
	Foreign Missions			
FD1	FM1	IC	NA	08/2013-11/2013
FD2	FM1	IC	NA	08/2013-09/2014
FD3	FM1	IC	NA	Oct-13
FD4	FM1	IC	NA	Oct-13
FD5	FM1	IC	NA	Mar-14

FD6	FM1	IC	NA	05/2014-09/2014
FD7	FM2	IC	NA	Nov-13
FD8	FM3	IC	NA	Jul-14
O22	D5	IC	Y	Jun-14
O23	D5	IC	U	Jun-14
O24	D5	IC	U	Jun-14
O25	D5	IC	U	Jun-14
	Domestic Banks			
DB1	DB1	IC	Y	Jul-14
DB2	DB2	IC	N	May-14
DB3	DB3	IC	N	04/2014-09/2014
O26	D6	IC	Y	Jun-14
O27	D6	IC	U	Jun-14
O28	D6	IC	U	Jun-14
O29	D7	IC	Y	Mar-14
O30	D7	IC	Y	Mar-14
O31	D7	IC	N	Mar-14
	Village Interviews			
O32 (VA)	LMD2	IC / OP	Y	9/2013; 9/2016
O33 (VA)	LMD2	IC / OP	Y	9/2013; 9/2016
VA1	VA	IC / OP	N	9/2013; 9/2016
VA2	VA	IC / OP	N	9/2013; 9/2016
VA3	VA	IC / OP	N	9/2013; 9/2016
O34 (VB)	LMD7	IC / OP	Y	Apr-14
VB1	VB	IC / OP	N	Apr-14
VB2	VB	IC / OP	N	Apr-14
VB3	VB	IC / OP	N	Apr-14
VB4	VB	IC / OP	N	Apr-14
O35 (VC)	LMD7	IC / OP	Y	Dec-13
O36 (VC)	LMD7	IC / OP	N	Dec-13
VC1	VC	IC / OP	N	Dec-13
VC2	VC	IC / OP	N	Dec-13
VC3	VC	IC / OP	N	Dec-13
O37	D8	IC	Y	Aug-14
O38	D8	IC	Y	Aug-14

Key:

DH = Domestic Hydro
DI = Domestic Informant
FI = Foreign Informant
FH = Foreign Hydro
FHC = Foreign Hydro Co.
FRS = Foreign Researcher
O = Official
FNG = Foreign NGO
NG = NGO
FD = Foreign Diplomat
FM = Foreign Mission
VA = Village A
VB = Village B
VC = Village C
D = Department
LMD = Line Ministry District
U = University
IC = In Country
OC = Outside Country