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Laos: a reserve for Thai growth

Supalak Ganjanakhundee

Abstract

The ending of the Cold War in the 1980s ushered in a new era in relations between Thailand and Laos. Old security concerns were replaced by a focus on economic relations. On the Thai side, business politicians and like-minded technocrats drove policy-making. On the Lao side, leaders welcomed foreign investment to overcome the legacy of war and poor economic management. But Laos has become nervous about Thai economic domination, and sensitive to cultural subordination. The recent rise of China as an investor in Laos presents new problems for both Laos and Thailand.

Introduction: from security to economics

Since the end of Cold War in 1985, relations between Thailand and Laos have dramatically changed—from enemies who fought for different political ideologies, to partners mostly for mutual economical benefit. The collapse of the communist bloc changed the political landscape across the world, including the Southeast Asian region. The remaining communist countries including Vietnam and Laos adjusted the fundamentals of their economic management from Stalinist central planning to a market-oriented economy, opening up their respective economies to global forces and welcoming foreign investment.

The communist party, which had governed Laos since the fall of Vientiane to the communist Pathet Lao movement in 1975, also adopted this new trend, instituting its own version of liberalization, known in Lao as jintanakarnmai or the New Economic Mechanism, in 1986. The late president, Kaysone Phomvihane, promoted a new program of liberalization following the footsteps of communist colleagues in the Soviet Union and Vietnam. Laos

began to relax its economic rules to boost trade and investment with foreign countries in order to enhance economic growth and eliminate poverty. The warring between the 1960s and late 1970s had left Laos as one of the world's least developed countries with income per capita of less than two US dollars a day.

Meanwhile there was a political change in Thailand after popular movements and political parties forced military-backed General Prem Tinsulanonda out of power and installed an elected politician, General Chatichai Choonhavan, as prime minister after a general election in July 1988.

Chatichai took the helm immediately after the two neighbors had fought a conventional battle over disputed border definition in February 1988. The border conflict between the two countries had erupted at the end of May 1987 when a group of some thirty Lao soldiers attacked Thai workers of a Uttaradit logging company in an area near Ban Romklao, Phitsanulok province. A worker was killed and three tractors belonging to the company were destroyed. Laos alleged that the Thai company had intruded on Lao territory to cut logs. Both sides claimed sovereignty over the disputed area. In February 1988, Bangkok and Vientiane agreed to a ceasefire and put the difference over the territories on the table for negotiation. The areas in question remain a key issue of boundary demarcation until now.

The political change in Thailand from Prem to Chatichai was not merely a change from one general to another as had happened often during the Cold War era when military figures rotated through the premiership. Despite his military background, Chatichai did not represent the army and bureaucracy as had Prem during his eight year tenure. Prem never ran for election but drew support from the military, bureaucracy, and some political parties. Chatichai, by contrast, created a coalition of support among businessmen and capitalist-backed politicians, and rose to power by election.

On a visit to Vientiane, Chatichai announced a new policy toward neighboring countries with a famous motto: changing battlefields to market places. This economic-oriented policy was appropriate for an era when the conflicts of the Cold War were receding into the past and a new era of economic liberalization
beckoned. Thai business gave its enthusiastic support.

Of course, there was a minor conflict among Thai policy makers at the outset because conservative figures in the bureaucracy were reluctant to follow Chatichai's initiative owing to their mistrust of neighboring countries. The long-run conflicts during the anti-communist war and the Cold War had shaped the perceptions of Thai officials. Resistance to the new policy was found mostly in the military and the Foreign Ministry headed by Air Marshal Siddhi Savetsila, a leading representative of the conservative view on dealing with neighboring countries.

Chatichai eventually defeated the resistance by dumping Siddhi in a cabinet reshuffle and substituting elected politicians who were keen on economic relations, such as Subin Pinkayan from Chiang Mai and later Arthit Ourairat from Bangkok, as foreign minister.

The business community, including major corporations in Bangkok and many chambers of commerce in border provinces, were the main driving forces that shaped the changing relations between Thailand and its neighbors. Major interests in various sectors including trade and investment flocked to Laos. They poured in money mostly to buy raw material such as timber and minerals to supply industries in Thailand.

The 1991 military coup that toppled the Chatichai government did not change the fundamentals of relations between Thailand and Laos. The military-installed government, led by former diplomat and businessman Anand Panyarachun, continued the economic-oriented policy towards Laos, and created many mechanisms to facilitate relations, such as a joint commission to settle problems in the relationship and facilitate economic activities. The military junta led by General Suchinda Krapayoon did not resurrect the conservative security-oriented attitude towards the former enemy, Laos. The junta allowed economic relations with Laos to continue, and associates of the junta enjoyed the benefits of these relations during more than a year of the military-installed regime.

However, there were some conflicts among interest groups doing business with Laos because the junta inserted its own cronies who competed against groups that had been running businesses in Laos for a long time. In the transport sector for instance, the junta brought in TL Enterprise, a company closely associated with
members of the Chulachomklao Military Academy Class Five (from which Suchinda and other members of the junta were also drawn), to compete with the state-run Express Transportation Organization (ETO) which had monopolized transportation between Thailand and Laos for a long time. In May 1992, a mass uprising brought down the junta and the following election put elected politicians back in power. The coalition government led by the Democrat Party leader Chuan Leekpai continued economic-oriented relations with neighboring Laos.

In line with the new trend of regional grouping, Chuan created many frameworks of multilateral economic cooperation including the 1993 Quadrangle Economic Cooperation (QEC) encompassing Laos, Myanmar, Thailand, and the Chinese province of Yunnan. The QEC project planned to build infrastructure to facilitate trade, investment, and tourism in the four counties in the upper Mekong Basin. Under the project, the land route from northern Thailand to southern China through northern Laos was to be renovated, and the Mekong River cleared for transport.

The project, however, overlapped an Asian Development Bank-sponsored Greater Mekong Subregion (GMS) scheme which grouped all six Mekong riparian states including Cambodia and Vietnam. Chuan's QEC initiative was later phased out and all projects were merged under the framework of the GMS. One long initiated and still on-going project is the renovation of Route 3 across the northern Lao provinces of Luang Namtha, Oudomxay, and Bokeo to link China's Yunnan province and Thailand. The project was initiated under the QEC but later absorbed into the GMS’s North-South Corridor with joint investment of US$ 100 million by Thailand, Laos, and China. Laos obtained a soft loan from the ADB for the project.

The GMS scheme aimed to change Laos from a “land locked” into a “land linked” country, and make Laos into the linkage between the road networks of mainland Southeast Asia as a whole. Myanmar and Thailand would connect to Vietnam via Route 9 across central Laos while Route 3 and Route 13 would provide north-south links from China to Thailand and Cambodia respectively. Officials in the Lao government believed their country
would benefit from trade and service-sector activities along these routes.

Under the GMS scheme, Laos planned to exploit its natural terrain of mountains and rivers to generate energy by building dams with hydropower plants to generate electricity for export to Thailand, Vietnam, and Cambodia. Laos has already signed a number of pacts to sell electricity to the three neighbors. Thailand, a major power consumer, is willing to purchase 5,000 MW from Laos in coming years while Vietnam needs 1,500–2,000 MW and Cambodia plans to buy 1,000 MW. With seven or eight dams, Laos has capacity to generate 3,000 MW of electricity by 2010.

The government of Thaksin Shinawatra supported Thai private sector involvement in dam investments in Laos. Thaksin initiated a multilateral cooperation scheme known as the Ayeyawady–Chaophraya–Mekong Economic Cooperation Strategy (ACMECS) as a mechanism to link economic development with neighboring Myanmar, Laos, Cambodia, and Vietnam. As the more advanced economy, Thailand would play a key role in providing capital and know-how while the less advanced neighbors would supply materials and labor. Under ACMECS, Thailand planned to encourage Laos to produce materials such as farm products to supply Thai industries. Bangkok introduced a business model of contract farming under which Lao farmers purchased seeds, chemicals, and technology from Thai companies, and sold the products to the same companies, while taking production risk on their own. Private firms in the energy and agro-industry sectors were the main driving forces of relations with Laos during the Thaksin administration.

After Thaksin was toppled by a coup on 19 September 2006, Thailand’s relations with Laos remained unchanged in character, although some firms close to the Thaksin government lost out. The deputy prime minister, Pridiyathorn Devakula, visited Laos in November 2006 and gave an undertaking to increase Thailand’s purchase of electricity from 3,000 to 5,000 MW when the first phase was completed.

Since the end of the Cold War in the late 1980s, five elected and three military-installed prime ministers have transformed relations between Thailand and Laos from enemies to economic
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partners. However, these relations remain based on an unequal division of labor. The more advanced Thai economy has access to the natural resources of Laos to supplement its diminishing potential for domestic expansion. Hydropower projects, which can no longer be built in Thailand owing to a lack of good potential sites and strong opposition from civil society, will generate energy for the Thai economy at the expense of Laos's own natural resources and environment.

Hegemony and resistance: a theoretical discussion

Previous studies have attempted to understand Thailand-Laos relations after the Cold War in different theoretical aspects. Warunee Osatharom from the Thai Khadi Research Institute, Thammasat University applied a postmodern approach in a study of Thai school textbooks to explore perceptions of the Thai state towards neighboring countries including Laos. She concluded that the Thai state used nationalism as a main theme for the textbooks to explain unequal relations. The two countries are brothers but Thailand is the elder one who has superior power over younger Laos.

Khien Theeravit of the Institute of Asian Studies, Chulalongkorn University and his team used a simple research technique of attitude surveys to study Thailand-Laos relations from a Lao perspective. The study indicated that Lao people mostly had a negative attitude towards Thailand and Thai people. From the Lao point of view, Thai entertainers and media figures harbor negative views of the Lao, who often feel insulted and humiliated by jokes cracked by Thai celebrities in the Thai media. According to Adisorn Semyaem, one of Khien's research team, the histories of the two countries, and the fact Thailand is more economically advanced, mean that Thai people feel superior to the Lao. From the Lao perspective, Thailand is the worst offender in delivering this humiliation, followed by the United States. Very few Lao felt that Vietnam, Cambodia, Japan, or China had ever insulted them.

These two studies seem to follow an approach to describing the superior-inferior relations of the two countries that predates the Cold War. In her masters thesis on 'Thailand and Laos cooperation
on hydropower dams (1993–1997), Phafun Nilsawasdi used Richard N. Cooper’s interdependence theory to explain that the relations of the two neighbors were based on cooperation for mutual economic benefit. Although Phafun’s study is older than the above two studies by her senior academic fellows, her conclusion was newer as it argued that the international atmosphere and domestic factors forced the two countries to depend on each other. The thesis did not say whether the dependency was both mutual and equal, but argued that the two countries tried to minimize the extent of dependency for reasons of security.

These previous studies reach contradictory conclusions as a consequence of their theoretical approaches. Since the end of the Cold War, there has been no single grand theory to provide an adequate account of the relations of the two countries. Over past decades, theories and approaches in the field of international relation have been in flux. According to Michael P Sullivan, National security studies, for one, have faded as a dominating component of the discipline, although proposals materialized in the early 1990s for a resurgence. National interest, despite its centrality and popularity for many years, also faded from the scene, primarily because the concept is useless for guiding us in the choice of policies in the future or as a yardstick for evaluating those that were followed in the past, but it remains central to realism and attempts have been made recently to stage a comeback.

Since the Cold War, international relations theorists have stressed economic dimensions, arguing that the world is becoming more and more economically intertwined. Liberals argue that political and economic concerns can and should be separated, so that trade and economic transactions take place in a relatively politics-free environment. Liberals believe that trade and economic intercourse are a source of peaceful relations among nations because the mutual benefits and intensifying interdependence among national economies tend to foster cooperative relations.

Marxists argue that politics and economics are inseparable. They portray the capitalist economy as essentially conflictual given the irreducible antagonism between the capitalist bourgeoisie and the labor proletariat. Class distinctions divide society, and cut-
throat competition ultimately pits classes against one other. However, such orthodox Marxist theory on international relations is out of date and underdeveloped. Many left-leaning scholars have tried to modify the hegemony concept of the Italian intellectual, Antonio Gramsci, in order to understand international relations. According to Adrian Budd, Neo-Gramscians have demolished the realist argument for ignoring the social determination of state power and portraying states as expressions of a coherent “national interest.” Neo-Gramscians place the class forces formed in the process of production at the centre of their analysis. The actors in the international system are not states as such but “state-society complexes.” Budd argues “that the international system should be understood not as an inter-state system but as an articulation of social forces, forms of state and world order.”

Gramsci himself defined “hegemony” as a combination of force and consent. In his well-known *Prison Notebooks*, Gramsci placed hegemony in the “superstructure” which he divided into two parts: civil society, meaning the assembly of organisms commonly called private; and political society, or the state. “These two levels correspond on the one hand to the function of ‘hegemony’ which the dominant group exercises throughout society and on the other hand to that of ‘direct domination’ or command exercised through the state of juridical government.”

The concept of hegemony has since been deployed in a great variety of contexts. Some international theorists use hegemony to explain the situation after the Cold War when the US remained the single superpower. Shortly before the attack of 11 September 2001, many scholars seemed to think American hegemony was in decline because of the transition to a multipolar international system. In his 2004 book *Hegemony or Survival*, the American intellectual activist Noam Chomsky suggested that American hegemony remained powerful, and that the pre-emptive war on Iraq was a means to exercise Washington’s hegemony.

Hegemony can be applied to the study of Thailand-Laos relations at the national level to explain how dominant groups in Thailand dictate relations with their tiny neighbor by employing both economic power and cultural power, and by forcing Laos into a defensive mode.
Driving forces in Thailand

The Thai economy took off after the end of Cold War in the late 1980s, notably during the Chatichai administration with double-digit growth of gross domestic products (GDP) at 13.2 percent in 1988 and 12.1 percent in 1989. By comparison, Laos GDP grew at 2.1 percent and 4 percent in the same period. Thailand's growth emulated that of other newly industrialized economies in Asia such as Hong Kong, Taiwan, South Korea, and Singapore.

As Teerana (1991) noted, the successful growth in the Thai economy was the result of change in the international economic structure following the oil crisis and the end of the Cold War. Business was moving from the west to the east, notably to Japan and its peripheries. "Thailand, which had overcome its difficulties of political conflict and had a positive attitude towards foreign investment, was in an advantageous position to benefit from the new global economic trend."  

With such momentum, the structure of the Thai economy shifted from farm-based to industrial-led with foreign investment and exports as the major engines of growth. The Thai economy grew steadily from the late 1980s until the Asian financial crisis in 1997 when GDP contracted by 1.7 percent in 1997 and a further 10.2 percent in 1998.

Entrepreneurship played a significant role in this economic expansion across all sectors. As a result, businessmen also moved into the political arena in order to create a suitable environment for business growth. The bureaucrats who had dominated the political system, government, and policy making since the 1932 revolution overthrowing the absolute monarchy, had already begun to lose their dominant position since the mass uprising in October 1973. The bureaucrats regained ground three years later when the kingdom faced an external threat after neighboring Laos, Cambodia, and Vietnam fell to communist forces. Bureaucrats and later technocrats took the leading role in shaping the direction of the country, including foreign policies toward neighboring socialist countries, until the end of the Prem regime in late 1988. Rangsan Thanapornphan suggested that the bureaucrats and technocrats lost their dominant role during the Chatichai government (1988–91).
but then recovered after the 1991 military coup brought former bureaucrat and diplomat Anand Panyarachun to power. \(^{17}\) Rangsan showed that more than half the cabinet members during the Chatichai administration had a business background, compared to only 16 percent in Anand’s two cabinets. In the short-lived cabinet of Suchinda Kraprayun, over 60 percent had a business background. \(^{18}\) Rangsan \(^{19}\) argued that Anand’s technocrat-dominated government differed in character from earlier cabinets as it worked for the benefit of business rather than the bureaucracy itself. Technocrats in Anand’s cabinet had strong connections with business groups, and Anand himself had spent a long period in business since taking early retirement from the foreign service.

After the May 1992 incident, the cabinets of the elected politicians Chuan Leekpai, Banharn Silapa-Archa, and Chavalit Yongchaiyuth were similar in character to that of Chatichai. They were coalitions of business groups that used elections as ladders to power in order to influence governments policies.

The 1997 financial crisis wrought great damage on many sectors of the Thai economy, notably finance, banking, and construction. While many businessmen-politicians perished in this carnage, Thaksin Shinawatra rose above the wreckage on the basis of his telecommunication empire, and contested the January 2001 elections, the first held under the so-called “People’s Constitution” of 1997. His Thai Rak Thai party won an unprecedented 11 million votes and 248 of the 500 seats in the House of Representatives. Kasian Tejapira \(^{20}\) argues that the bubble economy of the 1990s, neoliberal orthodoxy, and the growth of “electocracy,” \(^{21}\) created the ideal conditions for the meteoric growth of Thaksin’s telecommunication empire and the launch of his political career:

Combining high-tech know-how and political know-who with open-handed oiling of the wheels, he adroitly cultivated relations with senior bureaucrats and Cabinet ministers to win a string of lucrative telecom concessions and licenses…. Given the close entanglements between telecoms and the concession-granting government ministries, it was understandable that Thaksin found it imperative to go into politics. \(^{22}\)

Duncan McCargo and Ukrist Pathmanand state that
“Thaksin’s great achievement is the creation of a formidable political and economic power network, the mother of all phuak [political faction or clique].”

Ammar Siamwala argues that Thaksin changed the Thai political formation from coalitions of local mafia (exemplified by the cabinets of Chuan and Banharn), into a political franchise by the simple means of re-branding the local mafia and capitalists with the Thai Rak Thai label. Thaksin also adapted the “merger and acquisition” strategy of business into politics, treating his Thai Rak Thai Party like a company which “acquired” other small parties including Chavalit’s New Aspiration Party and Suwat Liptaphanlop’s Chat Phatthana, making Thai Rak Thai into the dominant party in parliament.

Although academics disagree on how to analyze and label Thaksin, all agree that Thaksin’s main focus was on business and the economy.

The emergence of business-minded cabinets in Thailand since the end of the Cold War, or precisely since the Chatichai administration, has reshaped relations between Thailand and Laos. All governments have concentrated on the economic aspects of the relationship, and have constructed mechanisms to facilitate smooth ties. Khampoui Kaewbualapa, Lao deputy prime minister and chairman of the Foreign Investment and Management Committee, said it was the business sector that cemented ties between the two countries. Thailand has focused on tapping the abundant resources in neighboring countries such as Laos for the benefit of its own economy.

When Chatichai opened the door to neighboring countries, investors and traders had no specific focus in engaging with Laos. They were mostly interested in primary resources such as timber and minerals. They extracted natural resources without any processing in Laos. They took advantage of their proximity as well as the many similarities in culture and language between the two countries. Timber was the main export from Laos to Thailand. In 1988, Thailand was the largest source of foreign investment in Laos with only four projects worth US$ 623,000. This rose a year later to twenty-six projects worth US$ 12 million in 1989 and declined to fourteen projects worth US$ 3 million in 1990. After August
1991, when the two governments signed an agreement to promote investment and safeguard Thai investors against breach of contract, the volume rose rapidly.

In May 1991 the military-installed Anand government (1991–2) systematized relations with Laos by establishing a joint committee co-chaired by the two foreign ministers to guide cooperation in all aspects. The two countries signed pacts for cooperation on trade and border security in June and August 1991.

The Chuan government (1992–5) dealt with Laos in a fashionable new context of regionalism, growth zones, and subregional economic groupings designed to construct economies of scale. Inspired by European integration and emerging trade liberalization under the World Trade Organization, countries in Asia and the Pacific formed the Asia Pacific Economic Cooperation (APEC) in 1989. The North America Free Trade Area emerged around the same time. In 1992, the Association of Southeast Asian Nations (ASEAN) created its own version of a regional trade bloc, the ASEAN Free Trade Area (AFTA). Myanmar, Laos, Cambodia, and Vietnam, which were then outside ASEAN, participated in subregional groupings. Cross-border transactions increased in the upper Mekong basin. Business groups and chamber of commerce in Thailand’s northern provinces of Chiang Mai and Chiang Rai dealt with neighboring Laos, Myanmar, and China’s southern province of Yunnan. The Chiang Rai Chamber of Commerce in particular brought its members to engage with Chinese partners in Yunnan’s Xipsongbanna autonomous zone, exporting and importing goods ranging from consumer items to luxury cars via Laos, Myanmar, and the Mekong River.

Supachai Panitchpakdi, economic minister in the Chuan government, invited representatives from Yunnan, Laos, and Myanmar to a meeting in Bangkok on 26–9 May 1993 with officials from the United Nations Economic and Social Commission for Asia Pacific, UN Development Program, World Bank, and Asia Development Bank (ADB) as observers. They agreed to develop land transportation to facilitate trade and tourism in the Mekong subregion, bringing into existence the Quadrangle Economic Cooperation (QEC). At a second meeting three months later in Chiang Rai, the scope of cooperation expanded to other
sectors including tourism. The QEC was not an institution but merely a series of official meetings. It was a timely move which gelled with the trend for subregional groupings and China’s policy to open links with Southeast Asia.

The main focus of the Chuan government was to develop transport infrastructure, but Chuan had a reputation of working slowly, and it took him nearly two years to make a systematic approach. A committee for economic development cooperation with neighboring countries, staffed with officials of various ministries and agencies, was eventually formed on 24 August 1995. The committee played a key role in concluding a 1996 agreement among four riparian states for regulating Mekong navigation.

The private sector moved faster. A Chiang Mai-based construction company owned by the U-sa family set up the Quadrangle Economic Joint Development Company to operate a concession from the Lao government to build Route 3 through Bo Keo and Luang Namtha provinces to connect northern Thailand with southern China. The company began work in 1995 but was undermined by the economic crisis two years later when only five bridges had been built.27 The project was abandoned until the Thaksin government concluded an agreement with China, Laos, and the ADB to share in the construction cost of US$ 100 million dollars as part of the ADB’s Greater Mekong Subregion (GSM) scheme for a North-South Corridor to link China, Laos and Thailand. The road was seen to benefit Thailand and China more than Laos, and so Thaksin made a deal with Beijing to share equally in the construction cost of the bridge across the Mekong between Ban Huay Sai in Laos and Chiang Khong in Thailand. The road was completed in 2008.

While the Chuan administration focused on the north and the QEC, the private sector in the northeast worked with the Lao government and the ADB on a project dubbed as the East-West Corridor to upgrade Route 9 in Savannakhet province of Laos to link Thailand’s northeast with central Vietnam. The Mukdahan Chamber of Commerce championed the project on the grounds that Thailand’s northeast region could use the road for shorter access to the Pacific via Vietnam’s Danang port. The road was completely upgraded and a second Mekong friendship bridge built
between Mukdahan and Savannakhet during the Thaksin government but the grand opening took place in December 2006 during the Surayud Chulanont government after Thaksin had been toppled by a military coup d'état in September 2006.

Building roads and bridges, as well as clearing the river for navigation, facilitated the transport of goods and passengers, and provided Thailand with links to the fast-growing economies of China and Vietnam. In addition, Thailand looked to Laos for supplies of energy to supplement local limitations on domestic supply created by popular resistance to environmental damage.

The Chuan administration signed a memorandum of understanding in June 1993 to purchase 1,500 MW of electricity from Laos. The Banharn government signed a second agreement in June 1996 to increase the level to 3,000 MW by 2006. Savit Bhotiwihok, a minister of the Prime Minister’s Office under Chuan, made the state-run Electricity Generating Authority of Thailand (EGAT) into the key player in purchasing power from neighboring countries, and placed Laos at the top of the list in Thailand’s energy master plan, with eight power plant projects, mostly hydropower, scheduled to supply electricity to the Thai grid. Among these projects, Namtheun Hinboun contributed 187 MW to the system from March 1998, and Huay Ho added another 126 MW from September 1999. Later during the Thaksin government, EGAT signed purchasing agreement with two more projects: Nam Theun II will supply 920 MW by 2009, and Nam Ngum II another 625 MW by 2011.

The most controversial energy project was the Nam Theun II dam as it had a long history and involved many stakeholders arrayed both for and against the project. The Mekong Secretariat, a regulatory body for the Lower Mekong, identified the potential for hydropower development in central Laos in the 1970s, including projects on the Nam Theun tributary of the Mekong. In 1991, the Lao government with support from the World Bank and UNDP commissioned the Snowy Mountain Engineering Corporation to undertake a feasibility study for the Nam Theun II project. In 1994, the ADB, Agence Française de Development (French Development Agency), World Bank, and Lao government formed the Nam Theun II Development Consortium to develop the
project design. In 2004, the consortium transferred the project to Nam Theun II Power Company (NTPC) which is 35 percent owned by Electricité de France International (EDFI), 25 percent by Electricité du Laos, 25 percent by the Electricity Generating Company of Thailand, and 15 percent by the Thailand-based construction firm, Italian-Thai Development.

The project planned to dam the Nam Theun River to generate 1,070 MW and supply 93 percent of the installed capacity to Thailand. With an investment cost of US$ 1 billion, the dam would generate US$ 1.9 billion revenue to the Lao government over 25 years. Located on the Nakai Plateau in the central Lao province of Khammuan, the project posed a threat to the environment due to its design and huge reservoir extending up to 450 sq.km. in the rainy season. The dam would displace at least 6,000 people on the plateau, and affect the ecology close to the Nakai Nam Theun national biodiversity area, possibly killing hundreds of wild elephants. It was not a run-of-the-river dam but needed to divert water through tunnels to turbines at the other side of the reservoir and release water at 1°C higher temperature into the Xe Bang Fai River, possibly resulting in floods downstream where some 100,000 people live.

The project faced two major setbacks: the Asian financial crisis of 2007 and the withdrawal of a major shareholder, EDFI, in 2003. The 1997 crisis was understandable but the French pullout was a big shock as EDFI announced its decision at the last minute before the signing of a purchasing agreement in Vientiane on 18 July 2003. Thailand was already relying on the electricity supply in its future plans so was intent on keeping the project afloat. Sitthiporn Rattanophas, governor of EGAT, said Thailand would allow a year for the remaining investors to put the project back on track. The energy minister, Phrommin Lertsuridej, suggested the project issue bonds to raise funds for construction. According to a a Vientiane-based diplomat who declined to be named, the foreign minister, Surakiarat Sathirathai, lobbied the governments of Laos and France to bring the French partner back into the consortium, and EDFI finally agreed shortly before EGAT and the NTPC signed a purchasing contract in November 2003. The project is now under construction. A French diplomat said the EDFI’s initial pullout was
due to domestic pressure in France to have the state-run electricity authority concentrate its investment only in Europe.

Civic groups and environmental conservationists in Thailand also played a significant role in opposing the project due to its negative impact on the environment and society. They allied with Thai activists opposing the World Bank-sponsored dam project of Pak Mun in Ubon Ratchathani, arguing that Pak Mun generated little electricity yet damaged the environment and disrupted the local residents' way of life, and the bank should not repeat its mistakes by supporting another dam in Laos. Sompong Viengchan from Ubon Ratchathani said in a World Bank organized symposium on Nam Theun II in Bangkok that her family had been torn apart by the Pak Mun Dam as her children had to leave home to sell their labor in other provinces because the loss of fisheries after the dam opened made it impossible for young people to remain in the villages. Sompong said, "People in Laos have no idea what could happen to them with the dam. I would like to invite them to come see Pak Mun and listen to our experiences. They're like my brothers and sisters, because ethnically I'm half Lao." The World Bank, while admitting failures in past resettlement schemes for hydropower developments, argued it could do better with Nam Theun II. Chaohua Zhang, the World Bank's social-sector specialist, said, "There are many components of this resettlement plan that are the best I've ever seen.... We haven't had very many success stories in the past twenty or thirty years, but things are changing fast now."

The environmental conservationists and villagers from Ubon Ratchathani held street rallies before the bank made its final decision to support the Nam Theun II project. The World Bank was required by investors to grant risk guarantee for financiers against contract breach and nationalization of the project before the end of the concession. International Finance Corporation, the bank's investment arm, also extended a loan to the state-run Electricité du Laos for its portion of the project. The bank set a requirement for investors to allocate at least 10 percent of the investment cost for environment protection and rehabilitation schemes for affected people.

Every successive government, along with EGAT and the private
investors, would not allow any movement to bring the project down as energy was key for Thailand’s economic growth. EGAT projected energy consumption would grow at least 5 percent annually. Its 2002 forecast projected energy consumption growth of 6.2 percent per year from 2003 to 2016, between 1.3 and 1.5 times the growth of GDP. The Thaksin government made energy a priority in its dealings with neighboring countries. During a meeting of the Thai-Lao Joint Committee in November 2003, the foreign minister, Surakiart, discussed with his Lao counterpart, Somsavat Lengsavad, to renew many proposed energy projects left over since the 1997 financial crisis including a coal-fueled plant in Xayabouli’s Hong Sa district.

Somsavat said his government would invite investors for the Hong Sa coal-fueled project and the Nam Ngum II and Nam Ngum III hydropower projects. The three are designed to supply over 1,700 MW to Thailand. The Thai investors (the Ngan Thavee Group of the Thai Lao Power Co, Ch Kanchang, and the MDX Group) had proposed developing the three projects in the early 1990s but had dropped their plans during the 1997 financial crisis. Somsavat said, “The government wants to renew the projects in order to have energy to supply Thailand as promised in the [memorandum of understanding] and would like to give priority to the investors who initiated the projects.” In 2006, the Lao government granted the Hong Sa project to another Thai mining company, Ban Pu. The company is in the process of clearing the site where some 360 Lao families live.

The Nam Ngum II project was granted to South East Asia Energy, a Thai company which would invest US$ 832 million to build a 615 MW hydropower project on the Ngum River in Vientiane province. The Thai Export-Import Bank granted a loan of US$ 60 million to support the project which is expected to be completed by 2011.

The military-installed Surayud government seemed to follow the footsteps of its predecessors in dealing with Laos over energy, signing a MOU in December 2006 to buy up to 5,000 MW by 2015, higher than the 1996 MOU’s figure of 3,000 MW. Thailand also undertook to support the power plant projects with soft loans of up to Baht 1 billion for Nam Ngum II, and allowed Electricité
du Laos to issue bonds of Baht 1.5 billion in the Thai market. The list of projects which would supply power to Thailand between 2011 and 2013, and in which Thai investors were significantly involved, now included Hong Sa, Nam Ngum II, Nam Ngum III, and Nam Theun.

Although the military coup of 19 September 2006 destroyed Thaksin's Thai Rak Thai party, it did not damage Thailand's business groups in general. It brought many bureaucrats and technocrats into the cabinet but placed no obstacles in the way of commercial projects, including those already established in Laos. The junta's Asset Examination Committee scrutinized projects launched under the Thaksin government, but found fault only with the extension of a Baht 4 billion loan to Myanmar which benefited Thaksin's family's company. The loan, arranged under Thaksin's ACMECS brainchild, required borrowers to buy goods and services from Thai companies—in this case, satellite link projects in which Thaksin's family firm Shin Satellite was heavily involved.

Despite this issue, the junta and Surayud government did not scrap or modify the ACMECS. The foreign minister, Nitya Pibulsonggram, said on assuming office that he would continue to develop relations with neighboring countries in the framework of existing multilateral pacts including ACMECS, but projects within those pacts would have to be implemented with transparency and fairness and not favor specific parties.39 The military-backed government continued almost all the development projects with Laos in the pipeline including the third and fourth friendship bridges across the Mekong River at Chiang Rai–Bo Keo and Nakhon Phanom–Khammuan.

The private sector continued to drive relations with Laos to serve its own interests by smoothing relations with the neighbor. The Board of Trade lobbyed the Thai government on behalf of any member that had difficulties in dealing with Laos. In May 2007 in Udon Thani province, Niyom Wiratpanich, chairman of the Board's committee for promoting trade with neighboring countries, complained in a seminar that contract farming schemes under the ACMECS did not work properly owing to many bureaucratic difficulties, such as over getting certificates of origin for their goods. Under schemes launched in 2004, goods produced under contract
schemes in Laos were exported to Thailand under the ASEAN Integration System of Preferences (AISP) which required proof of origin. Niyom complained, “To obtain C/O from the capital city of the neighbor is troublesome for us since the city is far from our plantations and it costs us to have such documents.” He added that neighboring countries lacked a clear system to manage contract farming projects. Chalarmphol Phongchababnapa, commercial councilor at the Thai embassy in Vientiane, said in the same seminar that the government needed to solve these problems and speed up the scheme otherwise it would be overtaken by aggressive competition from China and Vietnam.

As the dominant class in the Thai political structure since the close of the Cold War, business groups have been the major stakeholders in relations with neighboring Laos. Two military interventions over the past two decades have destroyed some individual crony business interests but have not significantly changed the business groups’ position in the power structure. The juntas of 1991 and 2006 have not been opposed to capitalism. Most technocrats brought into power under these juntas were business-minded with strong connections to corporate interests. They pursued policies towards neighboring countries that favored their associated groups.

Economic development projects have dominated the bilateral relations between the two countries. The border disputes, which had formerly been the focus of relations and which had once caused armed clashes, have been downgraded to a technical level. A meeting of the Joint Boundary Commission in Luang Phrabang in March 2007 to clarify the border demarcation went very smoothly despite a long delay in the demarcation since the armed dispute in the late 1980s. A Thai-Lao Joint Boundary Commission was established in 1996 to clarify the 1,810-kilometre boundary. The two countries plan to finish the demarcation of the 1,100-kilometre Mekong River boundary by 2010. Demarcation of 676 km, or 96.3 percent of the 702 km land boundary, has been completed over the past five years. Officials of the two neighbors also sorted out four difficult areas where natural watersheds have been destroyed. These stretches were the Huay Kon–Muang Ngern Pass in Nan province, the Phudu Pass, the Huay Tang–Pang Fai Pass, and the Huay...
Phrao–Nong Pachert Pass in Uttaradit province. Three remaining stretches that must be resolved by the end of 2008 are in the controversial areas of Ban Romklao in Phitsanulok, three villages in Uttaradit, and Chong Mek–Vang Tao in Ubon Ratchathani. Ban Romklao and the three villages of Ban Mai, Ban Klang, and Ban Savang are disputed areas where both sides claim sovereignty. They were a cause of conflict between the two countries in the 1980s. Thailand’s foreign minister, Nitya Pibulsonggram, said, “The difficulties of the demarcation in these areas are due to ‘technical problems,’ but as we have a strong political will to overcome the problems, I think we can finish the job.” The Lao foreign minister, Thongloun Sisoulith, shared the same assessment, saying that “with close cooperation, I think the remaining areas in the three villages [of Uttaradit and Laos’ Xayaboury province] could be finished sooner than Ban Romklao, where different interpretations remain of the [Siam-France] Treaty.”

The state is not the sole or major actor in making relations with Laos but increasingly plays the role of facilitator for the deals of the dominant business stakeholders. Other interest groups with different agendas are unable to influence relations with Laos. Environmental conservationists, for instance, have no channel to influence policies. Of course, they broadcast their concerns, but those with power do not listen to them seriously.

Lao PDR: please don’t rush

Around 1986, in line with wider changes in the communist camp, Laos shifted its focus of development from central planning to a market-oriented economy when President Kaysone Phomvihanh launched the New Economic Mechanism (NEM) to attract foreign investment.

Previous studies have shown that both internal and external factors forced the communist government to adjust its development focus. The main external factor was the momentum of change in the Soviet Union and Vietnam which adopted open strategies under the titles of Perestroika and Doi Moi respectively. Laos needed to follow. Furthermore, the end of the Cold War allowed countries to move beyond international political rivalry and concentrate on
economic development. The main internal factor was the economic failure of a decade of socialist development. Growth had been slow, and GDP had even contracted by 3.3 percent in 1983.44

Despite some resistance within the Lao People’s Revolutionary Party, Kaysone pushed ahead with reforms in state and party after the Fourth Party Congress in 1986. The main objectives of the NEM were to improve the efficiency and productivity of state-owned enterprises. As Stuart-Fox put it, Kaysone criticized the old system for its “bureaucratic centralism” and dependency on state subsidies. This inefficient system would be replaced by enterprises that were self-financing from their own profits. “In other words, under the New Economic Mechanism market forces were to operate.”45


In the early years after the reform, performance was weak, and GDP shrank in 1987 and 1988. Growth spurted to 13.5 percent in 1989 when investment from Thailand flowed into the economy. However, after the financial crisis hit Thailand and the rest of the region, growth in Laos slumped to -1.8 percent in 1998, but recovered to an average growth of 6.5 percent from 1999 onwards as Thailand also got back on track.

Lao leaders did not blame the economic crisis only on external forces but pointed out that bureaucratic inefficiency and corruption also contributed.47 After the 1997–8 economic crisis, the ruling party set a target of improving per capita income to US$ 1,050 per annum and removing Laos from the list of least developed economies by 2020.48 The target was reaffirmed in the eighth Party congress in March 2006 along with plans to raise half of the 5.8 million population out of poverty by 2015, and the remaining half by 2020.49 The deputy prime minister Somsavat Lengsavad said in interview that his government would launch agricultural projects at the micro level as well as inviting investment in mega-projects such as hydropower dams and other infrastructure.
Laos focused on two major infrastructure developments namely land transportation and hydropower projects to convert river resources in mountainous terrain into energy and make the country a “battery of Asia.” For domestic consumption, Laos required only 700 MW in 2007 and expected this to expand to 2,000 MW in a few years, yet Laos had a capacity generate as much as much as 20,000 MW for export, according to Lao Energy Minister Bosaykham Vongdara. The main customer would be Thailand (see above) but also 2,000 MW to be sold to Vietnam and 1,000 MW to Cambodia. The Lao government also commissioned feasibility studies for at least four dams in the main course of the Mekong River at Don Sahong, Pak Lai, Pak Bang, and Xayabouri.

When the Thai energy minister, Piyasavasti Amranand, visited Vientiane in May 2007 to negotiate purchase of an additional 2,000 MW, the Lao deputy minister of energy and mines, Somboun Laxasombath, wanted the Thai side to complete existing projects before laying more plans. Somboun said, “Thailand has postponed some projects until 2014 or 2015 and I wonder whether in fact it is serious about some of these or if these are tactics to keep other investors out.... I think we should foster achievement of the existing projects agreed to by our two governments before beginning additional ones.”

This statement signaled an important change in the pattern of foreign interests in Laos, namely the rising role of China. In 2006, Thailand had been the biggest foreign investor in Laos, with investments worth more than 6.28 trillion kip (US$ 655 million) in 30 projects, followed by China with 4 trillion kip (US$ 423 million) and Japan at 3.8 trillion kip (US$ 401 million). Yet in the first quarter of 2007, the value of Chinese investment in Laos reached 1.15 trillion kip (US$ 120.7 million) in 223 projects, followed by Vietnam with 804.4 billion kip (US$ 83.8 million) in 105 projects, and Thailand with 681.6 billion kip (US$ 71 million) in 157 projects.

Chinese entrepreneurs focus on energy, agriculture, tourism, and other services. Leng Savanvaly, a Lao-born citizen of Chinese descent who runs many businesses in Laos, said in an interview with local media that he had met with many Chinese entrepreneurs who were interested in investing in Laos. “The investment sector
within China is over-burdened, so the Chinese government wants its investors to go outside to invest, particularly in Laos.” Laos has handed out more than 140 mining concessions in recent years, many to Chinese prospecting for gold, copper, iron, potassium, and bauxite. Some of the proposed projects are massive. For instance, Australia’s ORD Rivers Resources has a joint venture with China’s Nonferrous Metals International Mining to develop a 727 sq.km. concession on the Boliven Plateau in southern Laos into one of the world’s largest bauxite mines. Such concessions are hard to secure in Laos without a Chinese partner. An official of the Italian-Thai Company, which invested in the Nam Theun II project and was hoping to invest in mining, confirmed that bauxite concessions in southern Laos were mostly under the control of Chinese investors. Newcomers had to sub-contract or join with the Chinese.

Investment was only a part of the Chinese presence developed since the decline of Soviet influence from the mid 1980s onwards. China’s development aid to Laos exceeded US$ 280 million in 2007. Beijing built a huge Cultural Center in Vientiane on Sam Sean Thai Road nearly a decade ago, and contributed to the renovation of the landscape around the Patuxay, a local version of the Arc de Triomphe. China supplied one-third of the US$ 100 million construction cost for Route 3 to link southern China and northern Thailand via northwestern Laos.

Growing Chinese investment also spurred in-migration. According to a Chinese embassy official in Vientiane, the number of Chinese officially living in Laos was 30,000, but the unofficial estimate was ten times higher. Beijing has asked Laos to allow another 2,000 to 3,000 Chinese families to live and work in the country. The growing Chinese presence in Vientiane and the northern provinces worries some Lao citizens. Many Vientiane residents said in informal conversation that they had several new Chinese neighbors who managed to secure business licenses and rights over real estate in the capital by unclear legal procedures. They were able to take over a whole city block in mid Vientiane near the Chinese-financed Cultural Center. The deputy prime minister, Somsavad, saw no problem with the Chinese presence in his country, saying “we neither follow nor depend on China too much. We have our own way and direction.” He claimed that
Chinese investors and even the migration were regulated by the same law applied to others without any privilege, and added that Thailand still had a significant role in Lao development.56

A clash of similar cultures

In 2002, Khien Theeravit and his team examined the case of Nicole Angelique Theriault, a Thai popular singer who allegedly stated on a television talk show that Lao women were dirty, prompting a media uproar over Thai defamation of its neighbor. Nicole denied making the statement but the Lao Women’s Union protested strongly. Khien’s research team concluded that Nicole was innocent, and some “unknown” parties had made up the story to sour relations between the two countries for their own also “unclear” benefit.57 The cause of the trouble might have been competition in the music industry as Nicole was then a rising star whose popularity spread across the Mekong River to Laos. Nicole’s case was similar to a 1993 incident when Utain Prommin was accused of insulting Lao women, resulting in a verbal war between the two countries. Whatever the truth of the matter, Khien’s research showed that Lao people tend to believe that the Thai love to insult Laos.58 A Lao deputy foreign minister, Hiem Phommachanh, who had served as Lao Ambassador to Thailand for eight years, concluded in his thesis that the Thai loved to act as “superior” and look down on the Lao whose cultural identity was older than the Thai.59

Thailand and Laos share many aspects of culture, language, and identity but these similarities do not always guarantee smooth relations. Consciously or unconsciously, Thailand often demonstrates its economic superiority over Laos, ruffling the sensibilities of its neighbor. Memories of Siam’s destruction of Vientiane in the early Bangkok era underlie Laos’ fears of Thai domination. Laos also fears that westernization, so eagerly adopted in Thailand, will cross the Mekong via media to infect Lao youngsters and threaten old traditions. In May 2004, the Lao Information and Culture Ministry banned all Thai television channels and videos from being shown in public places such as airports, hotels, bus stations, restaurants, and markets in order to
prevent Thailand's cultural domination. The ministry's director of mass media, Vanthong Phonchanheuang, said:

It is not anti-Thai sentiment. Thai television and videos are not bad but we don't want to see their presence too much. Previously many public places, particularly restaurants and hotels, displayed only Thai television programs as if they were in Thailand not Laos. 60

Due to the close proximity, similar language, cultural affinities, and Thailand's more advanced technology, Thai television was commonly viewed in Laos, especially in areas along the Mekong and the border with Thailand. Lao TV programs, which consisted mainly of government propaganda broadcast via two national stations, could not compete. The ban applied only to public places, and did not bar individuals from watching Thai television and videos at home. International television channels (BBC, CNN, and French TV5) were not prohibited from being shown in public places as the government accepts an international presence. The ministry ordered information and cultural services in Vientiane and other provinces to help enforce the ban. Owners or caretakers of public places that continued to show Thai TV and videos were threatened with reprimands and fines.

Laos has also used diplomatic channels to obstruct Thai movies. In May 2006, the Lao Foreign Ministry summoned Udomsak Sritangos, second-in-command at the Thai Embassy in Vientiane, to express objections to a movie, Mak Tae (Soccer) on grounds that the film contained many scenes deemed defamatory to Lao nationals. The film was a comedy about the Thai and Lao football teams, and the producer (GMM Tai Hub) had hoped to benefit from interest generated by the World Cup. Lao officials said the film mocked Laos by attributing the Lao team's success to its Thai coach. Scenes in which several Lao players dyed their hair to look like Western football stars and the team practiced in a refrigerated container to get used to cold weather were judged to be derogatory to the national football team. Souvanna Phouyavong, counsellor at the Lao Embassy in Bangkok, said Lao students who have seen advertisements for the film on Thai television had filed complaints with the embassy. An official claimed that Vientiane was worried the film could lead to the kind of anti-Thai sentiment seen in the
Cambodian capital Phnom Penh in January 2003, when the Thai Embassy was burned to the ground after a misunderstanding over a statement by a Thai TV star.61

The reaction, or perhaps over-reaction, from Vientiane over this film can be seen as a precautionary measure to avoid a clash of cultures between two love-hate neighbors, but also raises the issue of why and how two such similar cultures can so easily clash.

Ordinary Laotian people had not seen the movie and had no chance to form a judgment. One Vientiane resident told the Thai media that he saw nothing wrong with having fun at the expense of the national team. But the Foreign Ministry in Vientiane had no need to ask the opinions of ordinary people. Their strategy was to pre-empt potential conflict. But their action also raised their ministry’s profile at a time when there were movements in Vientiane to reshuffle the country’s leadership and its cabinet members. If the Foreign Ministry had not blown the whistle on Mak Tae, any number of other agencies in Laos might have done so because politicians are notoriously keen to exploit nationalist issues for their own gain. Somsavat Lengsavad might have lost ground if someone else had raised official indignation. Similar events have happened several times before. The riot in Phnom Penh in 2003 was the result of conflicts between Cambodian politicians who used issues of nationalism to score points against each other. The producer of the Thai horror film Ghost Game, which featured scenes with strong similarities to the notorious S-21 interrogation camp of the Khmer Rouge, was forced to make an apology.

Such actions are possible precisely because politicians in Laos, Cambodia, and elsewhere know that Thais love to make jokes about their “inferior” neighbors. The producers of Mak Tae might not have set out to insult the Laotian people or their football team, but they need to explain why they picked Laos as a subject for fun if they did not see some cultural basis for laughing at Laotians. The producer of Mak Tae re-edited the movie and screened it quietly in Thailand. But the fundamental problem underlying Thailand’s attitude to its neighbors remains unchanged. Thais need to stop making fun of people they see as inferior. People in neighboring states should be proud and confident about their culture and identity.
Vientiane is also concerned about the commercialization of Lao culture by the Thai entertainment industry. A spokesman for the Lao Foreign Ministry, Yong Chanthalangsy, said Laos had no problem if Thai entertainment investors consulted Vientiane and gained the consent of authorities before making commercial use of Lao culture, as that could be deemed cultural cooperation between brother nations. However the case of the soap opera *Phleng Rak Song Fang Kong* (Love song on the two banks of the Mekong) by Television Channel 7 in February 2007 was not a model of success. The plot was a love story between a Thai man and the beautiful Champa, played by Lao-Bulgarian actress, Alexandra Bounxouay. But Lao authorities were not comfortable with the fact that Champa was an illegitimate child as her mother had no husband. They claimed the soap opera contained many scenes deemed inappropriate and contradictory to Lao culture. Hours before the scheduled first broadcast on Valentine’s Day, the Lao Information and Culture Ministry stated the program might cause “cultural problems.” The production company, Workpoint Entertainment, claimed it had consulted closely with Lao authorities and hired a Lao star to play the main character, yet was forced eventually to re-edit the story, confine the location to Thailand, substitute That Phnom in Nakhon Phanom for Vientiane’s That Luang, and rename the series as *Phleng Rak Bon Fang Khong* (Love Song on a bank of the Mekong).

An official at the Lao Embassy said on condition of anonymity that the real problem was not over the plot but personal jealousies and the larger issue of commercialization. Enemies of the Lao starlet’s father did not want to see her make a fortune in Thailand’s flourishing entertainment industry, and the Lao authorities did not wish to encourage the commercialization of Lao culture. Ever since the two countries concluded an agreement over cultural entertainment in 1993–4, budding Lao entertainers who have had a chance to prosper in Thailand have fallen foul of similar attitudes.

**Conclusion**

Thailand regards Laos as a diminutive neighbor with plenty of untapped resources (including culture) available for commercial
exploitation to sustain Thailand’s own growth. This perception has arisen for several reasons. First, the ending of the Cold War ushered in a change in Thai foreign relations from a conventional security-dominated platform to economic orientation. Second, the changing political economy in Thailand elevated capitalist entrepreneurs and business-minded technocrats into dominant roles in the power structure, able to shape foreign policy decisions. Third, the fashion for regionalism and regional groupings since the early 1990s forced dominant stakeholders in Thailand to pursue this same trend within the region. Fourth, growing competition in the globalized economy encouraged Thai firms to seek low-cost resources to maintain their competitiveness in the world market. Laos fitted the bill.

Meanwhile on the other side of the Mekong River, Laos also needed to bring about changes in a country that had long suffered from war and poor economic management under the socialist regime. When Vientiane opened its doors to the world in the mid 1980s, following the trend of other communist states, Thailand was the first country to respond. The two countries that shared many similarities enthusiastically discarded former political differences and plunged into economic relations. Laos had little experience in market-oriented economic development yet was quickly made aware of its bigger neighbor’s rapacity, and raised its guard higher to shield itself from Thailand. But Thailand was itself small in comparison to another neighbor from the north, China. Laos showed some skill in fending off Thailand, but faces a totally different proposition represented by the superpower China. Deputy prime minister Somsavat may claim that Laos does not regard China as a problem, but for Thailand it certainly is. Thailand needs a new strategy to deal with the new situation in Laos.

Notes

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33 The Nation, 1 September 2004.
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35 An EGAT report on energy in January 2001 advised prime minister Thaksin Shinawatra to seek sources of energy from neighboring countries, including investment in construction of the Salween dam in Myanmar.
36 The Nation, 1 December 2003.
39 The Nation, 12 October 2006.
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41 Interview with foreign minister Nitya Pibulsonggram in Luang Prabang after the meeting on 7 March 2007.
42 Interview with Thongloun Sisoulith in Luang Prabang after the meeting on 7 March 2007.
48 Khamtay, Political Report.
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Information from the director general of the Department for Promoting Investment, Houmpheng Soulalay. China had earlier held the top spot in 2001, with investments worth 128.6 billion kip (US$ 13.4 million) and, in 2003, with investments worth 1.15 trillion kip (US$ 119.8 million).


'Chinese investors invade Laos.'

Interview with Somsavat Lengsavad, Lao deputy prime minister, Vientiane, 9 November 2006.

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Khien, Khwam samphan, p. 182.


Interview with Vanhthong Phonchanheuang, director of the Mass Media Department, Lao Information and Culture Ministry, via telephone from Vientiane, 27 May 2004.

Interview with Souvanna Phouyavong, counsellor and deputy head of mission, Lao Embassy in Bangkok, 14 May 2006.

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