ISSN 0219-3213

2015 #07

Trends in Southeast Asia

CHINESE ENGAGEMENT IN LAOS: PAST, PRESENT, AND UNCERTAIN FUTURE

DANIELLE TAN

ISEAS Publishing
INSTITUTE OF SOUTHEAST ASIAN STUDIES

Trends in Southeast Asia

The ***Institute of Southeast Asian Studies (ISEAS)*** *was established in 1968. It is an autonomous regional research centre for scholars and specialists concerned with modern Southeast Asia. The Institute's research is structured under Regional Economic Studies (RES), Regional Social and Cultural Studies (RSCS) and Regional Strategic and Political Studies (RSPS), and through country-based programmes. It also houses the ASEAN Studies Centre (ASC), Singapore's APEC Study Centre, as well as the Nalanda-Sriwijaya Centre (NSC) and its Archaeology Unit.*

2015 #07

Trends in Southeast Asia

CHINESE ENGAGEMENT IN LAOS: PAST, PRESENT, AND UNCERTAIN FUTURE

DANIELLE TAN

ISEAS Publishing
INSTITUTE OF SOUTHEAST ASIAN STUDIES

Published by: ISEAS Publishing
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace
Pasir Panjang, Singapore 119614
publish@iseas.edu.sg http://bookshop.iseas.edu.sg

The author is wholly responsible for the views expressed in this book which do not necessarily reflect those of the publisher.

ISEAS Library Cataloguing-in-Publication Data

Tan, Danielle.

Chinese Engagement in Laos : Past, Present, and Uncertain Future.
(Trends in Southeast Asia, 0219-3213 ; TRS 7/15)

1. Laos—Foreign economic relations—China.
2. China—Foreign economic relations—Laos.
3. Chinese—Laos—History.
4. Investments, Chinese—Laos.
5. Laos—Economic policy.

I. Title.
II. Series: Trends in Southeast Asia ; TRS 7/15.

DS501 I59T no. 7(2015) 2015

ISBN 978-981-4620-88-8 (soft cover)
ISBN 978-981-4620-89-5 (e-book, PDF)

Typeset by Superskill Graphics Pte Ltd
Printed in Singapore by Mainland Press Pte Ltd

FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

The **Trends in Southeast Asia** series acts as a platform for serious analyses by selected authors who are experts in their fields. It is aimed at encouraging policy makers and scholars to contemplate the diversity and dynamism of this exciting region.

THE EDITORS

Chinese Engagement in Laos: Past, Present, and Uncertain Future

By Danielle Tan

EXECUTIVE SUMMARY

- During the colonial period, Laos welcomed the smallest overseas Chinese communities in Southeast Asia, communities that almost disappeared after the communist forces seized power in Laos in 1975.
- Yet, this landlocked country shares a long history with China and even experienced a Golden Age thanks to the thriving caravan trade between Yunnan and mainland Southeast Asia. The Greater Mekong Subregion programme, launched by the Asian Development Bank, has revitalized these historical trade routes, causing thousands of Chinese migrants to pour onto the new roads of Laos, channelled through the North–South Economic Corridor linking Kunming to Bangkok.
- The growing link between Laos and China has alarmed many scholars and development workers, both Lao and foreign; some even speak of a Chinese "shadow state" threatening Lao sovereignty and territorial integrity.
- It is necessary to go beyond the image of Laos regularly depicted as a weak state, a victim of globalization, and of China in particular, to consider a less passive posture. The paper argues that China's growing presence is far from eroding the power of the Lao communist regime. Instead, Chinese engagement allows the Lao state to cope with the challenges of globalization *and* to maintain its power at the same time.
- The paper will highlight Chinese engagement in Laos throughout history by emphasizing their recurrent patterns of intermediation. Then, it will describe how Chinese networks have become key partners of the Lao state's development policies. However, rising uncertainties over the neighbouring communist ally's economic potential may push China to revise its development strategy in Laos.

Chinese Engagement in Laos: Past, Present, and Uncertain Future

By Danielle Tan[1]

INTRODUCTION

On 7 April 2010, the Lao government signed an agreement with China that sets out the financing and the construction of a high-speed railway line (420 km) linking the capital Vientiane to southwestern China. Under the original plan, China was to fund 70 per cent of the US$7.2 billion project. The construction was initially set to commence on 25 April 2011 to celebrate the 50th anniversary of diplomatic relations between China and Laos. However, the project was postponed after the corruption scandal that led to the removal of China's Minister of Railways in February 2011. Afterwards, the Chinese construction companies pulled out of the venture fearing the rail link would not generate enough profit. Laos resolved to take full ownership of the project. Laos and China are still finalizing the details of the loan agreement with the China EximBank. In return for financing the project, "China will secure supply of around 5 million tons a year of mineral resources, mainly potash, by 2020, along with other raw materials such as timber and agricultural products that may be shipped to China," stated the Lao Minister of Energy and Mining (*Wall Street Journal* 2012). To put an end to rumours concerning the cancellation of the railway project, Prime Minister Thongsing Thammavong confirmed that the project was still on the agenda during his visit to China in April 2014 (*Radio Free Asia* August 2014).

Should this megaproject materialize, China would be fully connected to Southeast Asia, from Beijing to Singapore. It would join the multiple

[1] Danielle Tan is Assistant Professor at Sciences Po Lyon and Research Associate at the Institute for East Asian Studies (IAO-ENS Lyon), France.

lines of communication that have been built by China over the past few years. The navigation on the Mekong River and the North-South Economic Corridor (NSEC)[2] seemed unrealistic just a decade ago, given the very difficult terrain of this region. These Herculean works are rather emblematic as the Chinese are on track to achieve the *mise en valeur*[3] of Laos that the French only dreamed of during their colonial rule but failed to implement (Stuart-Fox 1995).

French interest in Indochina was mainly to gain access to the Chinese market to the detriment of the British. That was why building railways and a water road along the Mekong River was crucial to the colonial government. A century later, the same scenario is being replayed, but this time, the Chinese have become the dominant players, and they are considering the Greater Mekong Subregion (GMS) as the centrepiece of their "charm offensive" (Kurlantzick 2007, p. 10) in Southeast Asia. Once again, the role of Laos will be to serve as a transit corridor and as a reservoir of natural resources.

Are we then witnessing the emergence of a "neo-colonialism with Chinese characteristics" (Shichor 2008, pp. 73–85), or is there, conversely, a genuine growth opportunity presented to Laos due to the extraordinary human and financial capacity of China? This question is relevant not only with respect to Laos but also with respect to many African countries that have similarly allowed China access to their raw materials in exchange for huge investment amounts (Alden et al. 2008). Western observers tend to depict China as a "spoiler" in Africa, whose "insatiable" and "voracious" appetite for mineral resources is nothing more than a neo-colonial grab for raw materials that perpetuates African countries' underdevelopment (Marton and Matura 2011, p. 115). China's

[2] In short, the NSEC is basically a highway that links Kunming to Bangkok crossing through the northern provinces of Laos. It was inaugurated on 31 March 2008 during the third GMS Summit held in Vientiane.

[3] This term refers to the colonization policy implemented by the French colonial government in Indochina. Indochina was designated as a *colonie d'exploitation* (colony of economic interests) by the French government. The objective for Laos was to provide access for trade with China, or a strategic location from which to extend French influence west to Siam.

development model exported to the world is therefore seen by many analysts as a threat to the sovereignty of weak states (Halper 2010).

I will address this issue by analysing the role played by the new Chinese networks in the economic liberalization of Laos,[4] arguing that China's growing presence is far from eroding the power of the Lao communist regime. Instead, Chinese engagement allows the Lao state to cope with the challenges of globalization *and* to maintain its power at the same time. However, the cost of the *Great Transformation* (Polyani 1944) in Laos is exclusively borne by the weak, that is to say the minorities, the farmers and the poor living far from the centres of power, Vientiane and the regional capitals. First, I will highlight Chinese engagement in Laos throughout history by emphasizing their recurrent patterns of intermediation. Then, I will describe how Chinese networks have become key partners of the Lao state's development policies. However, rising uncertainties over the neighbouring communist ally's economic potential may push China to revise its development strategy in Laos.

THE CHINESE AND THEIR RECURRING ROLE AS MIDDLEMEN

Laos is often depicted as a landlocked country, penalized by its subsistence-oriented economy. Such images fail however to account for a longer historical portrait, with evidence of ancient caravan trade integrating the Lao Kingdom of Lan Xang into a regional, trade-oriented economy ever since its founding in 1354.

Chinese Caravans Connecting the Lowlands with the Uplands and with the World Economy

While the contribution of Chinese maritime networks to the formation of Southeast Asian coastal states is well established (Reid 1993; Lombard 1990), the role of continental Chinese Muslim traders in the political

[4] More specifically, the analysis will focus on the three northern Lao provinces connected to the North-South Economic Corridor (Luang Namtha, Bokeo and Oudomxay), in which I conducted fieldwork between 2007 and 2012.

consolidation of the Tai kingdoms (Lan Xang, Lan Na, Kengtung, Sipsongpanna)[5] is far less well known (Forbes 1988; Hill 1998).

At the end of the fifteenth century, the Lao Kingdom of Lan Xang blossomed due to a favourable economic environment generated by the Chinese caravan trade. Known under different names — *Hui* in Chinese (*huizu* 回族), *Haw* or *Chin Haw* in Thai and Lao, *Panthay* in Burmese — the Chinese Muslim caravan traders served as intermediaries between the highlanders and the lowland societies. They stimulated the economy within each kingdom along the trade routes through paying local taxes, and by supplying and collecting goods from the highlanders. Most importantly, they offered these landlocked kingdoms an outlet for their luxury goods — aromatic and medicinal plants, resins, benzoin, rare timber, ivory and the like — to the international market. In the long run, however, the revenue of the caravan trade alone turned out to be insufficient for Lan Xang to compete with the rising power of Ayudhya, whose economy was based both on maritime trade and agriculture. The Siamese and Vietnamese armies accentuated tensions and divisions within the realm by supporting the rivalry between the princes of Luang Prabang and Vientiane. The south seceded in turn and set itself up as the kingdom of Champassak in 1713. Split into three rival kingdoms, Lan Xang had ceased to exist.

The Overseas Chinese: "Indispensable Enemies" of French Colonial Rule

It was predominantly the disruption of caravan traffic from the mid-nineteenth century caused by the Panthay (1856–73) and the Taiping (1850–64) Rebellions in China that precipitated the decline of Luang Prabang — then under the control of Siam — and also explains its search for protection by the French.

[5] Lan Xang, the "Kingdom of a Million Elephants" is the precursor of the country of Laos; Lan Na, the "Kingdom of a Million Rice Fields" is located in present-day northern Thailand; Kengtung is part of the Shan State in Myanmar, and Sipsongpanna, the "Kingdom of 12,000 Rice Fields" became the Xishuangbanna Dai Autonomous Prefecture in Yunnan Province.

Laos had the particularity — along with Thailand and Myanmar — of harbouring two types of Chinese communities (Halpern 1961; Rossetti 1997). In the north, the early overland Haw migration was characterized by caravan drivers, dealers, traffickers, and a few shopkeepers who were forced to settle permanently after the revolts in Yunnan. They were long thought of as hill tribes or as Muslims, but the term Haw became ambiguous because it subsequently incorporated the large number of Yunnan's Han and non-Muslim Chinese immigrants who fled into the Golden Triangle after the defeat of the Kuomintang (KMT) in 1949. In any case, these overland Chinese rejected this name. In Laos, the Han Yunnanese who had settled for five or six generations in the north, mainly concentrated in the province of Phongsaly, consider themselves both ethnic Chinese and Lao.

In contrast, larger waves of overseas Chinese (called *huaqiao* 华侨) from Guangdong, Fujian, and Hainan settled in the main cities of central and southern Laos (Vientiane, Thakhek, Savannakhet and Pakse) during the colonial period. Although they had arrived as coolies to develop the European empires, the overseas Chinese in Laos and throughout Southeast Asia rapidly came to dominate the main economic sectors thanks to their networking abilities. They organized themselves in what the French called *congrégations*[6] (*huiguan* 会馆 or *bang* 帮) according to their dialect and/or provinces of origin (Purcell 1965; Pan 1999). The structures of colonial economies relied on the vast networks of Chinese middlemen to extract agricultural production and distribute basic consumer goods. These middlemen bought, sold, imported and exported everything available in the colonies. In Indochina, they functioned as *compradors* for the French trading houses. More importantly, they controlled a vast banking, commercial and money lending network, particularly opaque and branched, covering Cochinchina (today's southern Vietnam), Cambodia and Laos. French traders resigned themselves to working with

[6] The French colonial regime had entrusted these *congrégations* with the responsibility for the registration of Chinese newcomers in Indochina. This system of indirect rule over Chinese communities also provided mutual aid assistance, organized social and cultural activities, mediated internal disputes, and assisted the government in implementing laws and collecting taxes.

them, considering them "indispensable enemies" (Brocheux and Hémery 2001, p. 194).

Those who ended up in Laos had actually failed to prosper in Thailand, Vietnam or Cambodia (Halpern 1961). The fact that Laos is landlocked is not the only factor that explained the small size of the Chinese communities in the country.[7] The French also encouraged Vietnamese migration to Laos on whom they placed high hopes. Indeed, according to racial criteria established by the French colonial policy, the Vietnamese produced better officials than the Lao due to their mandarin tradition, and were considered more docile and less expensive workers than the Chinese (Robequain 1948, p. 86).

A Strategic Alliance Between the Ethnic Chinese and the Lao Elite

Although the *huaqiao* were few in number, they managed to control the Lao economy through a marriage-based integration process. The more affluent businessmen traded their economic capital for symbolic capital — that is to say, for the prestige (*kiet*) inherent in the traditional system of patronage monopolized by powerful Lao families (*phu gnay*). Similar to the outcomes in Thailand and Cambodia, these inter-ethnic marriages did not successfully assimilate the Chinese into Lao culture, but rather led to the emergence of a "creolized" community (Skinner 1996, pp. 63–65).

The Vietnam War proved to be a Golden Age for the Chinese in Laos due to American presence indirectly reviving Chinese migration. Fearing that the fall of Laos to the communist Pathet Lao forces might have a domino effect in Southeast Asia, the U.S. provided abundant assistance contributing to an economic boom and an increase in trade, especially with Thailand. A significant number of Chinese from Thailand settled on the banks of the Mekong River. In 1956–1957, it was the turn of Chinese

---

[7] By the end of the colonial period in 1947, the overseas Chinese numbered 2.5 million in Thailand, 1.9 million in Dutch India, 300,000 in Myanmar, and 850,000 in French Indochina. Barely 32,500 Chinese however were registered in Laos in 1955 (Purcell 1965, p. 2; Halpern 1961, Table 3).

from Hong Kong and Saigon to take advantage of the mismanagement in the U.S. aid programme (Halpern 1961, p. 2).

The Lao elite benefited substantially from the corruption related to the assistance provided by the U.S. to keep the Royal Government of Laos (RGL) in power. The corrupt elite mainly comprised members of the royal family who made alliances with the military and with Chinese businessmen. The exercise of power was a means of accumulating wealth, for in exchange for concession rights or monopolies granted to Chinese businessmen, the Lao elite received a share of the profits. At that time, the opening of casinos by the Chinese had already become a "semi-legal" lucrative business. Profits were reinvested in the regular economy — for example in the development of the national airline company, Lao Airlines (Evans 2002, pp. 158–159).

In addition, the Secret War conducted by the CIA had catapulted Laos into the echelons of the world's leading opium producers. In the context of its anti-communist efforts, the CIA played a significant role in the opium trade to finance mercenary armies in Laos and Thailand. Chinese merchants (predominantly Yunnanese) continued to serve as intermediaries between the highlanders and the Corsican syndicates who controlled the opium trade since the departure of the French, until its takeover in 1965 by General Ouane Rattikone, on behalf of the RGL, and with the help of Air America, one of the CIA's airline companies (McCoy 1991, pp. 226–234). Unlike Myanmar and Thailand, there were no major drug lords in Laos, whose profits remained modest in comparison with the two other key protagonists of the Golden Triangle, the Shan state-based Haw leaders (among them, Khun Sa, the most notorious drug lord), and the Kuomintang soldiers, secretly supported by the CIA, who had settled in northern Thailand after their defeat by the Chinese Communists in 1949.

The 1960s saw the arrival of a massive number of troops from the Chinese People's Liberation Army (PLA), tasked to build a vast network of roads in Laos' north, then occupied by the Pathet Lao. However, cooling Sino-Lao diplomatic relations towards the end of the 1970s[8]

[8] Due to the Sino-Vetnamese war (February 17 to March 16, 1979) triggered by the invasion of Cambodia in December 1978 by Vietnamese troops.

resulted in the withdrawal of 5,000 Chinese military workers (Walker 1999, p. 59) and in the dissolution of Chinese community life in Luang Prabang, Oudomxay and Xiengkhuang.

Chinese Presence in Laos since the 1990s

The political changes of 1975 that culminated in the Pathet Lao takeover led to a mass exodus of most of the Chinese community, which dropped from 100,000 people[9] to approximately 10,000 in the early 1990s (Rossetti 1997). Being targeted by the new communist regime less for their ethnic origin than for their social position and economic influence, the Chinese communities in Laos — like those in Vietnam and Cambodia — sought refuge mainly in the West, particularly in the United States, France and Australia (Condominas and Pottier 1982).

The end of the Cold War in the early 1990s led to a new regional order that endorsed a revival of China's influence in Southeast Asia (Evans et al. 2000). Determined to regain its "rightful place" in a region it considered its traditional sphere of influence (Stuart-Fox 2003), the Chinese government devised a strategic "charm offensive" (Kurlantzick 2007), nurturing close economic partnerships (i.e. aid, investment, creation of a free trade pact between ASEAN and China) and promoting the idea of China's peaceful, non-threatening emergence. Moreover, China's attitude towards its diaspora has changed radically. The Chinese government has recognized the tremendous potential of its diasporic human capital within the country's soft power strategy to restore the great power status that China held for centuries before subjugation by military western superior powers in the 19th century.

The visit of Premier Li Peng to Vientiane in 1990 marked a turning point in China–Laos relations. Suddenly being Chinese was no longer problematic. Chinese schools and shops gradually began to reopen, even though the Laotian Chinese community had been reduced to a shadow of its former self. Thus, the reawakening of a Chinese community in Laos did not come from the *huaqiao*, unlike in Cambodia where they managed to regain their traditional economic role (Tan 2006). Rather, in Laos, this arose from a new cycle of immigrants (*xinyimin* 新移民), who started

[9] This figure is given by the Association of Overseas Chinese in Vientiane. Most official sources recorded 40,000 people.

pouring into northern Laos in the late 1990s at an unprecedented scale. The vast majority of these Chinese newcomers have settled in the north of the country and in Vientiane.

The first Chinese newcomers arrived in the mid-1990s as workers or technicians on road construction projects and as part of the industrial cooperation between Yunnan and the northern provinces of Laos (Luang Namtha and Oudomxay). At the end of their contract, some stayed on and started their own businesses. They were quickly joined by a growing number of petty traders from neighbouring Yunnan and from more distant provinces, such as Hunan, Sichuan and Zhejiang. They typically engage in miscellaneous trading activities in import–export, transport, hardware and household supplies, motorcycle repair, cell phone shops, restaurants, hotels, or beauty salons, and they occupy increasing space in local markets. For most of these new migrants, Laos is not their first point of destination. The overwhelming majority of traders I met at the markets in northern Laos were from Hunan, with many of them first migrating to Yunnan, where they had engaged in commercial activities (see also Hansen 1999). Because of the fierce competition in China, they resigned themselves to exploring other migration options. They moved to northern Laos after having been told that a new road would soon link Kunming to Bangkok and bring economic development to a country still replete with opportunities. Before leaving China, some migrants told me that they had never heard of Laos or were unable to locate the country on a map.

Indeed, the completion of the North-South Economic Corridor (NSEC) has accelerated the migration of Chinese petty traders searching for a better life and new economic opportunities. Their long-term settlement has profoundly transformed the socio-economic landscape of northern Laos, in both urban and rural areas. As soon as Chinese bus companies started to connect Yunnan Province (mainly Mohan, Mengla, Jinghong, and Kunming) with the main cities of northern Laos[10] and Vientiane, Chinese traders began to settle there, supplying cheap Chinese goods to

[10] According to my field observations between 2007 and 2012, the major destinations were the provincial capitals, in order of importance, Oudomxay, Luang Prabang, Luang Namtha, Phongsaly, and Houeisay. The improvement of transportation has also enabled further inroads in secondary cities, such as Muang Sing, Muang Long, Xieng Kok, Vieng Phou Kha, Pak Beng, or Muang Khoa.

the urban and rural populations. In particular, they have transformed Lao urban centres — Chinese markets, shops, restaurants and guesthouses have become the most visible markers of this new urbanisation (Tan 2014*a*).

Upon establishing a foothold in Laos, these new pioneers make contact with their home communities in order to recruit labour and business partners. While Chinese migrants in the 1990s were mostly males (Rossetti 1997, p. 33), I observed during my fieldwork that the pattern of migration has increasingly become feminized. Most of the newcomers I met run their businesses with their families, so they can go back to China regularly without having to stop their activities. The families often seize the opportunity to raise more than one child in Lao PDR. When they have children of school age, they prefer to leave them with the grandparents to receive a Chinese education. I encountered many single or married women who ran their own businesses, leaving their family behind in China. Living mostly alongside their Chinese peers, the newcomers have achieved limited integration in Lao society. Regardless of their length of stay in Laos or future plans to remain there, they view their stay as temporary and strictly for the purpose of economic advancement. Given that this circular and chain migration is still recent, the newcomers have not yet organized themselves into associations, unlike the overseas Chinese during the colonial period. Instead, hotels/guesthouses and restaurants have become crucial nodes within regional business networks. Setting up wherever buses stop over, they play multiple roles, acting as information centres, gambling houses (where *mah-jong* is played), bus ticket offices, small warehouses, intermediaries between traders and private buses, meeting rooms for Chinese companies and so on. They are frequently engaged in other activities such as running a shop in another city, even as far away as Vientiane, a transportation business, clinics or rubber production. Due to capital constraints, they tend to have only smallholdings, with many now serving as subcontractors and supervisors for large Chinese companies (Shi 2008; Diana 2009).

According to official Chinese data, there are some 30,000 Chinese currently residing in Laos, though their number may actually be ten times higher (*The Nation* 2007). As reported by a Greater Mekong Subregion

(GMS) Migration Policy Briefing, 80,000 Chinese are estimated to be working on Chinese-led projects (ADB 2010). Estimating the Chinese population in northern Laos is difficult due to divergences in official Lao data at the national and provincial levels.[11] Lao provincial officials also acknowledge the difficulties the current administrative system has in precisely assessing Chinese numbers because of their mobility practices.[12] Strict control of cross-border migration in northern Laos is simply not possible due to the porous natural borders formed by the mountains and the Mekong River, and because of the difficult access to some areas during the rainy season. Moreover, the newcomers often run their businesses under a Lao name or settle illegally, with a very small number legalizing their stay though marriage to Lao citizens.

Chinese migration is not limited to the NSEC areas, and has also reached some of the more remote provinces of Laos such as Phongsaly. This is not surprising since Phongsaly has traditionally hosted a sizeable community of Chinese Haw. As they share close historical and linguistic features with Yunnanese Chinese — for example, they can speak both Lao and the Yunnanese dialect — they have managed to take advantage of the dynamism of Chinese traders, as evidenced by the new markets in Oudomxay, Muang Sing and Luang Namtha built by Haw entrepreneurs. The rapid influx of Chinese investment in northern Laos would not have been possible without the crucial go-between role played by the Haw and, to a lesser extent, by other ethnic minority groups belonging to the Chinese cultural sphere, such as the Hmong or the Akha. Since most Chinese traders cannot speak Lao, they hire Haw personnel as translators, middlemen or business partners to overcome the language barrier and to deal with Lao clients and officials.

Dispersion and interpolarity are typical migration patterns of the Chinese diaspora (Ma Muang 2000), a rule to which the recent Chinese networks in Laos make no exception. The success of the small

[11] For a more detailed analysis of these figures see Tan (2011).

[12] A border pass, provided at the international and local checkpoints, allows all Chinese citizens to travel within four northern provinces (Oudomxay, Luang Namtha, Bokeo and Phongsaly) for a period of ten days, extendable for another ten days.

entrepreneurs hinges at least as much on their economic capital as on their social capital (*guanxi*). The poorest among the newcomers usually open a small stall in the village or sell their goods as street vendors. As soon as things go well in one place, the most enterprising among them open a shop in another village and let their relatives take over the old business. Due to the rising competition between the newcomers themselves, some of them head for new destinations in other northern provinces of the country (Xieng Khuang, Sayabouly), and increasingly move southwards as well. The richest settle directly in Vientiane. There, however, the competition is fiercer, as the *xinyimin* (new Chinese migrant groups) have to compete with the established *huaqiao*. The majority of the *xinyimin* have settled around the *Talat Leng* (the "Evening Market") where they have created a new Chinatown promptly designated "Little Kunming" by the inhabitants of Vientiane. Since the opening in August 2008 of the new Chinese shopping mall (*San Jiang*) *en route* to the airport, the new Chinatown has been expanding in that direction. The diversity of the new Chinese community is larger in Vientiane than in the north and we find entrepreneurs there who are from all over China, the majority coming from Zhejiang, Guangdong and Shanghai, alongside the key Yunnanese and Hunanese players who dominate the Chinese trade in Vientiane.

Apart from these new migration flows, China's foreign direct investment (FDI) has been the main driver of change in northern Laos (see also Tan 2012; 2014*a*; 2014*b*). The main Chinese investors are state-owned enterprises and large private companies. While the former invest heavily in developing agriculture, industry, hydropower plants, and mines (Rutherford et al. 2008; Tan 2014*b*), the latter have chosen the tourism sector, and particularly the lucrative sector of casinos. These megaprojects have increased the pace of development and radically reshaped the uplands of northern Laos into large-scale rubber plantations and huge gambling enclaves which benefit from a regime of extra-territoriality, ironically recalling the concessions imposed on China in the mid-nineteenth century by the colonial powers (Nyíri 2009, 2012) — I will come back to this point later.

In the 1990s, FDI in Laos was dominated by Thailand. Chinese investment in Laos started to increase dramatically in the mid-2000s after the implementation of China's "Going Out" policy (*zou chu qu* 走出去) encouraging its domestic enterprises to invest overseas. China ranked as Laos' top foreign investor for the first time in 2007, surpassing Thailand and Vietnam. During the period from 2000 to 2012, Chinese firms invested about US$4.07 billion, making China the third foreign investor, with investment levels continuing to rise (for more details, see Tan 2014*b*). Thailand maintains the first position, while Laos' traditional ally, Vietnam, has also followed suit and increased its investment over the past decade.[13] Large Chinese companies have also extended their explorations southward. In the near future, the trajectory of Chinese migrants is expected to follow this emerging geography of Chinese investment.

If Chinese networks often appear as new regimes of power and accumulation competing with or undermining state authority (Stuart-Fox 2009) — some even speak of a "shadow state" threatening national sovereignty and territorial integrity (Walsh 2009) — in my view, they are far from eroding the power of the Lao communist regime. It is necessary to go beyond the caricatured images regularly on display in the media (Lintner 2008; Crispin 2010; *The Economist* 2011; Gluckman 2011) — in which Laos is variously depicted as a weak state, a victim of globalization, and of China in particular — and to consider a less passive posture. Hence, I will demonstrate the way in which Chinese networks have become the key partners of Laos' strategy of modernization and economic liberalization.

"TURNING LAND INTO CAPITAL"

It is not a question of denying the empowerment of Chinese actors or claiming that relationships are symbiotic and harmonious. Rather, it is a

[13] As of November 2013, cumulative Chinese investment in Laos had reached US$5.085 billion, making China the largest investor in the country. The value of Vietnamese investment has reached US$4.8 billion while Thai investment is now worth US$4.3 billion, according to the Lao Ministry of Planning and Investment (*Xinhua* 2014). It may be important to point out that all the projects on paper do not necessarily materialize or if they do, they do not always match the size of the investment.

matter of recognizing that behind conflict and competition are techniques of governing — in particular in establishing indirect rule — which are more elaborate than one may perceive at first glance. With increasing internationalization of the economy, the Government of Laos has tried to inhabit the role of a "catalytic state" (Weiss 1997, p. 17), using external forces — through a series of alliances with other states and foreign private actors — to maximize its control over its territory and to strengthen its national economy by encouraging foreign investment. Laos's reliance on its external environment, especially China, is a deliberate strategy to put regional powers in competition with one another in order to avoid being drawn into the orbit of just one of them (China, Vietnam or Thailand), and to enhance its bargaining power with investors.

Since the late 1990s and early 2000s, the Lao leadership has opted for a "turning land into capital" strategy (Dwyer 2007), based on leasing its land and exploiting its natural resources as the main engine of national development. To them, hydropower along with mining, tourism, timber, and agro-processing industries have become high priority sectors for investment given their potential to stimulate economic growth and generate greater revenues. In that context, Chinese migration and capital were seen as an unexpected opportunity to modernize the country. They would grant the contemporary Lao nation-state the necessary financial, technological, and human means — which it never previously possessed, in either its colonial or independent guises (see Stuart-Fox 1995) — to access the wide array of under-exploited natural resources (agriculture, forest, mining, hydroelectricity, etc.) dormant within its peripheral territories in the country's uplands regions. In addition, they would assist the Lao state in renewing its technologies of power as well as its discourse of modernity to legitimize its *mission civilisatrice* in these so-called backward peripheries by bringing development and prosperity.

The Long-Awaited Development of the Northern Uplands

Chinese immigrants and capital were particularly welcomed in northern Laos to transform the uplands into a new space of productivity and competitiveness integrated into the market economy. Given the low population resources available there, and also because of the customary reluctance of lowlanders (*Lao Loum*) to establish themselves in these difficult mountainous areas, the Lao state has resorted to using the Chinese newcomers to develop new pioneer farming areas and to "monetize" (Scott 2009, p. 4) the northern borderlands. To some extent, the current situation in northern Laos is very similar to the way Southeast Asian colonial and post-colonial governments were dependent on extensive networks of Chinese middlemen and pioneers to exploit local economies and facilitate the enclosure of their peripheries and hinterlands (Trocki 2009). As in the past, Chinese networks once again serve as essential mediators between the state and the global economy.

Through a policy of promoting foreign investment, trade liberalization, and privatization based on land concessions and contract farming, the Lao State has fostered the transition from semi-subsistence farming to a market-oriented agriculture. Tax cuts were awarded to foreign investors who settled in priority areas (mountain areas and special economic zones) and invested in specific activities (such as in rubber plantations).

These measures began to bear fruit in the early 2000s. The influx of Chinese investment allowed a take-off of agricultural exports (corn, sugar cane, rubber, cassava, watermelon, and non-timber forest products) in the border provinces with China (see Tan 2012; 2014*a*; 2014*b*). Bearing lower costs than registered Lao companies due to informal and illegal practices,[14] Chinese traders have been able to offer an all-inclusive service (providing fertilizers and seeds, collecting and transporting agricultural products, dealing with customs, etc.) and better prices to Lao farmers. However, the latter are often suspicious about their final payment since they have frequently been cheated, seldom receiving money in time or not at all.

---

[14] Many traders are not registered as companies. They use Lao registered companies to clear documents and pay "tea money" (i.e. bribes) to customs officers to shorten administrative procedures, to benefit from tax cuts or to smuggle goods. This explains why many of the imported and exported products pass through official channels but on an informal basis, and preferably at local border checkpoints (interviews and field observations at local border checkpoints in Boten, Panthong, Xieng Kok, and Meochai, May-October 2008 and June 2009).

According to a high-ranking official in the Ministry of Agriculture and Forestry,[15] the vision is that Chinese companies start developing northern Laos, and other investors will follow:

> Before the Chinese, nobody wanted to invest in the North. Since they have started to develop the area, everybody wants to go there now! […] The idea of the Lao is, given we are very much underdeveloped, rather than following the conventional way, we need to bring the resources from outside; that will help our society to have access to the transfer of knowledge for example, […] to improve the economy and to give good opportunities for the Lao young labour force. So, we see things in a more positive way; we need to open ourselves but in a way that it is manageable.

The Lao rulers have thus relied on Chinese technical expertise as well as financial and human resources to help them civilize their "backward" margins. Since 2003, the government of Yunnan Province has been actively involved in the design of a new master plan for the development of northern Laos, sending its experts to Vientiane and training Lao officials in Kunming.[16] The Northern Master Plan highlighted the issue that "the mentalities of most people are still at the starting stage of agricultural economic development, which is unsuitable for development of market economy and economic globalization" (Northern Laos Industrial Economic Development and Cooperation Planning Preparation Group 2008, p. 15). As Baird has shown, "one of the main motivations of the government of Laos in granting large-scale land concessions is to remove peasants, and particularly indigenous peoples, from their conditions of production because they are seen as making unproductive use of resources and as being resistant to fully integrating into the market economy" (2011, p. 11). Therefore, the policy of the government of Laos

[15] Interview, Vientiane, June 2009.

[16] Personal communication with officials from the National Economic Research Institute (NERI) a think tank under the supervision of the Ministry of Planning and Investment, Vientiane, June 2009.

to “turn land into capital” is crucially intertwined with “turning people into labour” (*ibid*, p. 12).

One of the priorities of the Northern Master Plan is the eradication of opium and its replacement with rubber plantations. This cooperation has proved a bonanza for the government of Laos. On the one hand, it generates an alternative cash crop for northern highlanders now aspiring to emulate their successful relatives in China. On the other hand, the partnership between the Lao state and private Chinese companies allows power-holders — mainly military and some national and/or provincial officials — to benefit through becoming joint venture counterparts with the private companies. Without injecting any capital, they are also able to take advantage of roads built by the same companies, using them to continue logging tropical forests. In the long run, this Sino-Lao cooperation offers an alternative to UN anti-opium aid programmes tied to expectations of democratic openings (Cohen 2009).

In 2003–04, the northern provinces began receiving an influx of Chinese investment from Yunnan. Chinese rubber companies seized the opportunity to acquire cheap land as a low-risk investment. They started to formally register companies in response to favourable incentives under China’s Opium Replacement Policy, implemented in the Golden Triangle (see Transnational Institute 2010) and designed to ease labour restrictions, provide financial inducements and access to a special fund of 250 million Yuan assisting businesspeople through grants and loans (Shi 2008, p. 27). This strategy reflects China’s broader ‘Going Out’ (*zou chu qu*) policy aimed at encouraging Chinese investment abroad. Though companies are typically headquartered in Mengla, Jinghong or Kunming, investment comes from as far away as coastal China. These companies have strong governmental ties and usually subcontract with existing local Chinese communities (mostly Sichuan and Hunan migrants engaged in miscellaneous trade and who have been converting their business to rubber enterprises in recent years) and employ Lao Akha or Lue personnel as translators and supervisors. Subsidies and exemptions granted under the Opium Replacement Special Fund apply only to companies that sign a formal contract with the Lao authorities (at local and national level) and operate plantations of more than 10,000 *mu* (666 ha) (GMS Study Center 2008). This explains why the

Lao central government has granted large land concessions to firms with close ties to the Chinese government. For example, China-Lao Ruifeng Rubber, a group originally specializing in the leisure industry, obtained a concession of 300,000 ha in the province of Luang Namtha (equivalent to the size of Sing and Long districts) in a joint venture with the Lao Army, while Yunnan Rubber Company plans to cover 167,000 ha. The decision to grant a concession to that company was taken during the visit to Laos of Vice Premier Wu Yi in March 2004 (Shi 2008, p. 25). In collusion with Lao military higher-ups and officials at both national and local levels, Chinese companies have forced upland farmers to change their farming practices or abandon their land in the name of development.

Nonetheless, a myriad of smallholders — Chinese entrepreneurs from neighbouring towns in Xishuangbanna as well as Lao villagers benefiting from the experience of their trans-border networks — are also actively involved in the "rubber boom" (Shi 2008). When the borders reopened in the 1990s, small waves of Lao Akha and Hmong refugees from the American War were repatriated from the border villages of Xishuangbanna to Mom cluster in Sing district and Ban Hat Ngyao in Namtha district (Luang Namtha Province). Under the influence of their relatives (*pi-nong*) in China who have experienced better standards of living by planting rubber, and because they used to work in the state farms in Xishuangbanna, they were the first rubber-planters in the mid-1990s. Though this community is limited in size, it provided examples and an essential source of knowledge for other villages. Some have successfully developed business relations with their relatives based in Yunnan. Recent studies show however that this profitable configuration has not become widespread throughout northern Laos (Wasana 2012; Sturgeon 2013; Dwyer 2014). Although the northern provinces favour the "2+3" model of contract farming[17] (seen as the best way to promote rural development), the arrangement often slips into a "1+4" system. Since the poorest farmers cannot afford the prolonged uncompensated

[17] Under this system, the company provides capital, technology and a market for the final product, and farmers provide land and labour. Profits are split, generally with 70 per cent going to the farmer and 30 per cent to the investor.

labour input (at least seven years), they only contribute land, in exchange for 30 per cent of future plantation profits and current wages if they work for the company. Ultimately, the "1+4" system is closer to the concession model. Whereas the local urban elite has been able to invest in rubber plantations and thus reap the benefits from Chinese investment, the upland farmers have been converted into a cheap and sedentarized labour force necessary for the development of large-scale plantations and industrial projects.

The Special Economic Zones as "Sites of Exception"

While many see the special economic zones (SEZs)[18] in northern Laos as Chinese colonies or extraterritorial entities that threaten Lao national sovereignty and territorial integrity, I prefer to consider them "sites of exception", in the sense suggested by Aihwa Ong (2006), that is, specific areas where the state develops exceptional forms of power at the frontier between the formal and informal economies, legal and illegal practices, and where it experiments with other forms of sovereignty that she calls "graduated sovereignty". These specific technologies of governing involve differential state treatment of segments of the population and territory in relation to market calculations, as well as some aspects of state power and authority being taken up by foreign corporations located in the SEZs, to make them "more 'bankable' than other developing regions" (Ong 2006, p. 78). From this perspective, the on-going process of privatization in the northern SEZs should not be read as a withdrawal of the Lao state in economic affairs and an incapacity to regulate or control Chinese private actors. Rather, it illustrates an "extension of indirect rule methods" (Hibou 2004) whereby much of Lao sovereignty is vested in private corporations in order for the state to have access to modernity and development. If the current crop of Chinese migrants has

[18] Special economic zones are designated enclaves within national territory operating under a set of administrative and regulatory structures distinct from those throughout the rest of a country. Private enterprises investing in SEZs receive special treatment in things such as services, duties and tariffs, and investment regulations. The social, environmental and labour standards imposed on investments are more lenient than those in national regulations and laws.

very nearly regained the status of tax farmers held under colonial rule, I argue that emergent SEZs constitute full-blown tax farms.

In northern Laos, two SEZs are located in the borderlands (Golden Boten City in Luang Namtha Province and the Golden Triangle SEZ in Bokeo Province). They have become important "resource frontiers" (Tsing 2005, pp. 28–30) for the Lao state because they embody "spaces of capitalist transition" (Barney 2009, p. 146). Less competitive than its neighbours in terms of industrial productivity, the government of Laos has chosen to implement casino complexes in the northern borderland SEZs, seeking to tap into the growing and dynamic Southeast Asian gambling market. The idea is to attract foreign tourists, specifically Chinese and Thai, since gambling is strictly forbidden in their countries, and to stimulate a development dynamic by providing tax advantages. Given the area's past reputation as an arena synonymous with illicit drug movements, the government of Laos has envisioned the conversion of these drug enclaves into "regional paragons of economic modernity" (Nyíri 2012, p. 562). However, the outcomes appear to be less grandiose than envisaged.

In April 2003, high-ranking Lao officials granted Hong Kong Fuk Hing Travel Entertainment Group Ltd. a 30-year concession, renewable twice. The 1,640-hectare concession worth US$103 million was meant to become a "Paradise for Freedom and Development," as promoted by the investment brochures. In fact, in late 2006, instead of luxury resorts, a public housing-like casino sprung up in the middle of the rainforest, surrounded by shops and warehouses, mostly unoccupied. A few thousand Chinese traders, dealers and sex workers settled in this casino city; only a handful were Lao. The currency used was Chinese Yuan, all the products consumed locally were imported from China, everything was written in Chinese, and even the time zone was set according to China. Pornographic items, banned in Laos, could be found in Boten, as well as cabaret shows performed by *kathoey* (male-to-female transgender persons) from Thailand. Most casino clients were professional Chinese gamblers. They were equipped with headsets for receiving instructions from their bosses based in China, who could follow the game on the Internet.

Yet, when I came back in July 2012, the casino lay abandoned and looked like a “ghost city”. Indeed, Golden Boten City’s gambling activities had seriously begun to upset Chinese authorities after several Chinese television stations reported in January 2011 on how hundreds of gamblers were lured, tortured and sometimes murdered if their families did not pay their debts. In December 2010, officials from Hubei Province conducted negotiations to rescue some “hostages”. In March 2011, China shut down the border and cut off electricity. Eventually, under pressure from Beijing, the government of Laos decided to close the casino in April 2011. Nevertheless, the Lao government still pins high hopes on the project. In April 2012, high-ranking Lao officials surprisingly decided to give the chairman of Hong Kong Fuk Hing Travel Entertainment Group Ltd., Wong Man Suen (also known as Huang Minxuan) another chance (Olsen 2013). Partnering with Yunnan Hai Chang Industrial Group Stock Co., these Chinese investors will increase their investment capital to US$500 million to change the focus of Golden Boten City from gambling to commerce and eco-tourism. The objective now is to transform the special zone into a regional trading hub and to link it to the future high-speed train that will pass through Boten to connect Kunming to Vientiane, and then, Singapore. Given that approval for the railway project is still pending, Golden Boten City remains a no man’s land for now.

In the meantime, a new casino has been developing in Tonpheung, Bokeo Province. The project was signed in 2007, and the Golden Triangle SEZ was inaugurated on 9 September 2009. Owning 20 per cent of the project, the government of Laos hopes to attract 1 million tourists along with more than 300 companies. The Hong Kong-registered Kings Romans Group[19] was granted a 99-year concession for an area covering some 10,000 hectares, 3,000 of which have been designated a duty-free zone. The rest has been earmarked for eco-tourism. A concession fee of

[19] Kings Romans Group is also known as *Dok Ngiew Kham* Company or *Jin Mumian* (金木棉) — meaning “golden kapok,” named after the kapok trees that carpet the area with flame-red flowers.

US$850,000 was allegedly paid to the government for the first year of the lease, with investors rumoured to hail from Hong Kong, Macau and Yunnan Province. The Group has to date declined to divulge the names or details of their backers. The first phase of the project cost US$86.6 million,[20] with the conglomerate planning to invest US$2.25 billion by 2020 to build an industrial park and eco-tourism facilities, and to create a truly modern city.

At present, in the heart of the Golden Triangle, a colossal golden crown has ruptured the surrounding carpet of forest. It sits atop the Kings Romans Casino. It would appear that the Lao government has learned several lessons from the shambolic experience of Golden Boten City. As a shareholder in the new project, the Lao government will be better able to maintain control over operations and will directly recover profits should the venture prove successful.[21] Security has also been improved. Private security guards are everywhere. Both the investment group and the Lao state are determined that the new complex should not suffer the fate of Golden Boten City. An average of some 1,000 people visit the casino every day (Hilgers 2012). The majority of croupiers are Chinese and most gamblers pay in Chinese Yuan or Thai Baht. The local mobile phone network is provided by a Chinese company. The new city is expected to accommodate more than 200,000 residents, potentially becoming the second largest urban development in the country after Vientiane. Working conditions are such that, as in Boten, it is likely that only a small number of Lao will work in the Golden Triangle SEZ. Of the more than 4,500 people employed in the zone, only 500 are Lao nationals. The rest originate from China, Thailand and Myanmar. The majority of them are not registered with the Department of Labour and Social Affairs in Bokeo Province.[22] Many Lao I met in my fieldwork said things like, “Over there, it’s not Laos anymore. That’s China.”

---

[20] The data was collected from the Department of Planning and Investment of Bokeo Province in 2009.

[21] Kings Romans Casino paid US$6,300,000 in taxes to the Lao government for the period 2009 to 2014 (see EIA 2015, p. 21).

[22] Interview with the director of the department, Houeysay, 11 June 2009.

Kings Romans has an ambitious blueprint for the SEZ. It wants to expand the area so that it resembles Las Vegas. The managers have already commenced a few vegetable farms, which currently service the casino and which may in time produce crops for export. The "gambling enclave" now includes an international border checkpoint and river port, hotels, and a Chinatown market with as many as 70 restaurants and shops selling a variety of retail goods, including illegal wildlife products (see EIA 2015). The company claims that there is no drinking or prostitution in the casino, although a row of dubious-looking massage parlours and bars nearby, complete with giant signs displaying ladies in lascivious positions, suggests that these vices are not completely unrepresented. Moreover, hotel rooms provide phone numbers with which clients may order sexual services.

According to Shan journalists and Thai businessmen (Lintner and Black 2009; the author's interviews in Chiang Mai and Chiang Rai, June 2012), Lin Mingxian (林明贤) is the main investor in Golden Boten City and is also one of the investors in Tonpheung. There is as yet no evidence to confirm the rumoured connection. Better known as U Sai Lin, Lin Mingxian is one of the Golden Triangle's most notorious drug lords. He continues to command a militia of between 2,000 and 3,000 foot soldiers known as the National Democratic Alliance Army (NDAA) in Shan State Special Region No. 4. Born in Yunnan, Lin Mingxian was once a member of the Red Guards and, during the Cultural Revolution, was sent to fight alongside the Burmese Communist Party. When most of the Guards were recalled to China in the late 1970s, Lin Mingxian decided to stay.

Lin allegedly thrived on smuggling timber into China and opium into Thailand, before declaring his zone "opium-free" in 1997 in exchange for financial support from China's opium-substitution policy. At the same time, he began investing in the construction of gambling houses in the Sino-Myanmar border-town of Mongla, using drug money as investment capital. He reportedly moved his investment interests to Boten after the closure of his Mongla casinos by Chinese authorities who, for their part, sought to stop the haemorrhaging of capital diverted from China by corrupt officials. While newspapers in the region have begun to describe Kings Romans as a gigantic machine for laundering drug money (Fawthrop 2011; *Al Jazeera* 2012), Zhao Wei (赵伟), the chairman of the group rejects these accusations, stating that his company invested in the Golden Triangle to create an economic alternative to the narcotics trade and they are currently improving people's lives (*China Talk* 2011; Hilgers 2012).

The two megaprojects outlined above, in Golden Boten City and the Golden Triangle SEZ, illustrate something of the overlap between legal activities (development of tourism, SEZs) and illegal practices (gambling, prostitution, drug money-laundering, wildlife trafficking, etc.), on which the Lao state has based its poverty alleviation policy. In fact, for the Lao leadership, they offer an ideal framework to cover all sorts of illicit and illegal activities that are at the same time highly profitable. It is also a means to launder illicit money into legal channels in the context of converting the opium-oriented political economy of the region into a series of casinos, under the banner of the GMS Program.[23] As a transit country and a small player in the drug trade, Laos wants to take a share of that reconversion to boost development in its peripheral frontier territories. In that context, its borderlands can become laboratories for implementing these casinos as a new model of development. Though a "vice economy" drives these zones and the Chinese state has cracked down on them at least once, we should not assume, as Nyíri puts it, "that zone managers and the officials they talk to in Laos and China do not view the zones as at least potential enclaves of progress" (2012, p. 557).

CONCLUSION

This brief insight into the crucial role of Chinese networks in the transformation of Laos' political economy during different periods of its

---

[23] The creation of an SEZ is one of the major components of the GMS Program towards the realization of economic corridors. Since 2001, the ADB has been involved in 41 SEZs-related projects in the GMS with the estimated cost of US$1 billion (see ADB's GMS Development Matrix, last updated October 2006. Available at <http://www.adb.org/GMS/Projects/devmatrix.asp> (accessed 15 April 2013). In Laos, the National Committee for Special and Specific Economic Zones (NCSEZ) received US$700,000 of technical assistance for developing SEZs.

history highlights their recurrent patterns of *intermediation*. Although the number of Chinese migrants in Laos has soared over the past few decades, their proportion still remains low in comparison with Thailand, Cambodia, Vietnam and Myanmar, which have also experienced a new wave of Chinese migration. These countries share with China larger volumes of trade, and their more substantial ethnic Chinese communities have facilitated the return of the diaspora and attracted a greater number of new immigrants (Tan 2012).

Nevertheless, the numerous imminent megaprojects in Laos are likely to accelerate Chinese migration. The construction of the railway line will entail 50,000 workers and hundreds of thousands of hectares of rubber plantations will soon require a similar number. Because of a lack of skilled labour, importing foreign workers, especially from China, will be inevitable, not only in the north but throughout the country.

Rather than viewing the growing Chinese presence as a threat to Lao sovereignty or a form of neo-colonialism, an allegation often raised in the media and amongst Western commentators, I have instead tried to demonstrate in this paper how these networks are reshaping the state, allowing it to adapt to and morph in accordance to the exigencies of globalization, and reinforce state power at the nation's margins. By initiating a neoliberal transition, Chinese investors effectively provide Lao leaders with privileged access to private capital and public goods, thus facilitating the conversion of the revolutionary ruling elite into managers of a privatized state. This primitive accumulation process is occurring at the expense of both rural communities and the environment.

However, uncertain benefits may push China to revise its long-term development strategy in Laos. Since June 2014, EximBank — the official export credit agency of the Chinese government — has suspended loans for nine road and bridge projects in Laos that were linked to Chinese firms. The bank said it would only support projects in the mining and hydropower sectors "that give maximum economic results" (*RFA* July 2014). This shift could be seen as an indication of Beijing's concern over Laos' ability to repay loans for such projects in the absence of immediate guarantees. It is not clear whether EximBank's decision might also impact the planned US$7.2 billion railway project linking Vientiane to south-western China. The ADB and the World Bank also warned that this megaproject would entail an onerous debt burden that the country could not afford. The railway, in other words, would amount to slightly less than the combined output of the whole economy in one year (90 per cent of Laos' US$8.3 billion GDP in 2011). In addition, the Lao government signed in April 2013 a US$5-billion funding agreement with Giant Consolidated Limited (GCL) — an obscure company based in Malaysia but incorporated in the British Virgin Islands and funded by Rich Banco Berhad, an offshore bank — to build and operate the high-speed railway linking southern Laos to Vietnam and Thailand.

In the past, despite natural resource potential, the country's isolation and difficult terrain meant that Laos largely remained economically unviable to the French. They rapidly gave up the ambition to develop a proper railway network in Laos. Is China willing to take that risk today and bet on developing Laos' economic potential? This question is all the more sensitive if we consider the twisted saga behind the high-speed train. So far, the railway project in Laos has also been put on hold because of Thailand's political turmoil. But then, in December 2014, Thailand's military junta approved a US$23 billion deal for two high-speed rail links with Kunming (via Vientiane) to be built by 2021. This plan is in fact part of China's broader ambition to revive the centuries-old "Silk Road", both in the continental and maritime domains, to boost connectivity across Asia. In November 2014, China invested US$40 billion in the Silk Road Fund to build roads, railways, ports, airports and other transport links in poorer parts of Asia. President Xi Jinping also unveiled the US$50 billion China-backed Asian Infrastructure Investment Bank, seen as a challenge to the World Bank and the Asian Development Bank (*The Economist* 2014). Yet, it is difficult to say what the future holds for Laos in China's new "Silk Road". China's "high-speed railway diplomacy" and its fashionable "win-win" rhetoric may not be as successful as Chinese diplomats would like to believe. The delay in the railway project may also reflect concerns among the Lao elite about China "taking over Laos," thus putting pressure to negotiate a fairer deal. Nevertheless, China can make a more powerful argument in the current negotiation game. Ultimately, the question is not necessarily about whether a railway will be or should be built in Laos, but rather about the cost to rural Lao communities.

REFERENCES

Alden, Chris, Daniel Large, and Ricardo Soares de Oliveira, eds. *China Returns to Africa. A Rising Power and a Continent Embrace*. London: Hurst Publishers Ltd, 2008.

Al Jazeera English. "Chinese casino in 'Golden Triangle' lead to questions of drug ties", 2 December 2011. Available at <http://www.youtube.com/watch?feature=player_embedded&v=P3OPZUjZa5c#> (accessed 10 May 2012).

ADB. *GMS Migration Policy Briefing, Forecasting Migration Flows: The Relationships among Economic Development, Demographic Change and Migration in the Greater Mekong Subregion*. Manila: ADB, 2010.

Baird, Ian G. "Turning Land into Capital, Turning People into Labour: Primitive Accumulation and the Arrival of Large-Scale Economic Land Concessions in the Lao People's Democratic Republic". *News Proposals: Journal of Marxism and Interdisciplinary Inquiry* 5, no. 1 (2011): 10–26.

Barney, Keith "Laos and the Making of a 'Relational' Resource Frontier". *The Geographical Journal* 175, no. 2 (2009): 146–59.

Brocheux, Pierre, and Daniel Hémery. *La colonisation ambiguë*. Paris: La Découverte, 2001.

China Talk [中国访谈]. "赵伟：奋斗在金三角经济特区" [Zhao Wei: Struggle in the Golden Triangle Special Economic Zone], 4 May 2011. Available at <http://fangtan.china.com.cn/2011-05/04/content_22492727.htm> (accessed 10 May 2012).

Cohen, Paul T. "The Post-Opium Scenario and Rubber in Northern Laos: Alternative Western and Chinese Models of Development". *International Journal of Drug Policy* 20, no. 5 (2009): 424–30.

Condominas, Georges, and Richard Pottier, eds. *Les Réfugiés originaires de l'Asie du Sud-Est*. Paris: La Documentation française, 1982.

Crispin, Shawn W. "The Limits of Chinese Expansionism". *Asia Times*, 23 December 2010.

Diana, Antonella. "Roses & Rifles. Experiments of Governing on the China-Laos Frontier". PhD dissertation, Australian National University, Canberra, 2009.

Dwyer, Mike. *Turning Land into Capital. A Review of Recent Research on Land Concessions for Investments in Lao PDR*, Part 1 & 2, Vientiane: Working Group on Land Issues, 2007.

———. "Micro-geopolitics: Capitalising security in Laos's Golden Quadrangle". *Geopolitics* 19 (2014): 377–405.

EIA. *Sin City. Illegal Wildlife Trade in Laos' Golden Triangle Special Economic Zone*. London: Environmental Investigation Agency. Available at <http://eia-international.org/wp-content/uploads/EIA-Sin-City-FINAL-med-res.pdf> (accessed 21 March 2015).

Economist, The. "Busted Flush. How a Sino-Lao Special Economic Zone Hit the Skids", 26 May 2011.

———. "The new Silk Road. Stretching the threads", 29 November 2014.

Evans Grant. *A Short History of Laos: the Land in Between*. Chiang Mai: Silkworm Books, 2002.

———, Christopher Hutton, and Kuah Khun Eng, eds. *Where China Meets Southeast Asia. Social and Cultural Changes in the Border Regions*. Bangkok: White Lotus, 2000.

Forbes, Andrew. "The Role of Hui Muslims in the Traditional Caravan Trade between Yunnan and Thailand". In *Marchands et Hommes d'affaires asiatiques, XIII^{ème}-XX^{ème} siècles*, edited by Denys Lombard and Jean Aubin. Paris: EHESS, 1988, pp. 289–94.

Fawthrop, Tom. "High Stakes as Laos Turns to Casinos". *South China Morning Post*, 23 January 2011.

Gluckman, Ron. "Bungle in the Jungle". *Forbes Asia Magazine*. 8 August 2011.

GMS Studies Center. *A Study on China-Laos Economic Relations*. Final Report. Kunming: Yunnan University, 2009.

Halper, Stefan. *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century*. New York: Basic Books, 2010.

Halpern, Joel M. *The Role of the Chinese in Lao Society*. Santa Monica: The Rand Corporation, 1961.

Hansen, Mette Halskov. "The Call for Mao or Money? Han Chinese Settlers on China's South-Western Border". *The China Quarterly* 158 (1999): 394–413.

Hibou, Béatrice, ed. *Privatising the State*. London, Hurst and New York: Columbia University Press, 2004.

Hill, Ann Maxwell. *Merchants and Migrants: Ethnicity and Trade among the Yunnanese Chinese in Southeast Asia*. New Haven, CT: Yale Southeast Asia Studies, 1998.

Hilgers, Lauren. "Laos Vegas: A Chinese Entrepreneur Crosses the Border to Build His Gambling Empire". *Good*, 14 March 2012.

Kurlantzick, Joshua. *Charm Offensive: How China's Soft Power Is Transforming the World*. Yale: Yale University Press, 2007.

Lintner, Bertil. "China Ascendent — Part 1: Checkbook Diplomacy Raises China's Standing with Laos and Cambodia". *YaleGlobalOnline*, 25 April 2008.

——— and Michael Black. *Merchants of Madness. The Methamphetamine Explosion in the Golden Triangle*. Chiang Mai: Silkworm Books, 2009.

Lombard, Denys. *Le carrefour javanais. Essai d'histoire globale*. Paris: EHESS, 1990.

Ma Mung, Emmanuel. *La diaspora chinoise: Géographie d'une migration*. Paris: Ophrys, 2000.

Marton, Peter and Tamas Matura. "The 'Voracious Dragon', the 'Scramble' and the 'Honey Pot': Conceptions of Conflict over Africa's Natural Resources". *Journal of Contemporary African Studies* 29, no. 2 (2011): 155–67.

McCoy, Alfred W., with Cathleen B., Read, and Adams II Leonard P. *The Politics of Heroin in Southeast Asia*. New York: Harper & Row, 1972 (reedited 1991).

Nation, The. "Chinese Investors Invade Laos", 8 October 2007.

Northern Laos Industrial Economic Development and Cooperation Planning Preparation Group, 2008–2020. *Planning for Industrial Economic Development and Cooperation in Northern Part of Lao People's Democratic Republic*. 2008.

Nyíri, Pál. "Extraterritoriality. Foreign Concessions: The Past and Future of Form of Shared Sovereignty". <*EspaceTemps.net*>, 23 November 2009.

———. "Enclaves of Improvement: Sovereignty and Developmentalism in the Special Zones of the China-Lao Borderlands". *Comparative Studies in Society and History* 54, no. 3 (2012): 533–62.

Olsen, Robert. "Hong Kong Invites Fraud To Solve Nonexistent Problem". *Forbes*, 27 March 2013.

Ong, Aihwa. *Neoliberalism as Exception. Mutation in Citizenship and Sovereignty*. Durham and London: Duke University Press, 2006.

Pan, Lynn, ed. *The Encyclopedia of the Chinese Overseas*. Cambridge, MA: Harvard University Press, 1999.

Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press, 1944 (reedited 2001).

Purcell, Victor. *The Chinese in Southeast Asia*. London: Oxford University Press, 1965.

Radio Free Asia (RFA). "China's EximBank Suspends Loans For Roads, Bridges in Laos", 22 July 2014.

———. "China to Press Ahead With Financing of Lao Railway Project", 19 August 2014.

Reid, Anthony. *Southeast Asia in the Age of Commerce, 1450–1680. Vol. II. Expansion and Crisis*. New Haven: Yale University Press, 1993.

Robequain, Charles. *L'Indochine française*. Paris: A. Colin, 1948.

Rossetti, Florence. "The Chinese in Laos. Rebirth of the Laotian Chinese Community as Peace Returns to Indochina". *Chinese Perspectives* 13 (1997): 26–39.

Rutherford, Jeff, Kate Lazarus, and Shawn Kelley. *Rethinking Investments in Natural Resources: China's Emerging Role in the Mekong*. Cambodia, Denmark, Canada: Heinrich Böll Stiftung, WWF, International Institute for Sustainable Development, 2008.

Scott, James C. *The Art of Not Being Governed. An Anarchist History of Upland Southeast Asia*. Yale: Yale University Press, 2009.

Shi, Weiyi. *Rubber Boom in Luang Namtha. A Transnational Perspective*. Vientiane: GTZ, 2008.

Shichor, Yitzhak. "Sudan: Neo-Colonialism with Chinese Characteristics". In *China in Africa*, edited by Arthur Waldron. Washington: Jamestown Foundation, 2008, pp. 73–85.

Skinner, William. "Creolized Chinese Societies in Southeast Asia". In *Sojourners and Settlers, Histories of the Southeast Asia and the Chinese*, edited by Anthony Reid, pp. 50–93. Honolulu: University of Hawai'i Press, 1996.

Stuart-Fox, Martin. "The French in Laos, 1887-1945". *Modern Asian Studies* 29, no. 1 (1995): 111–39.

———. *A Short History of China and Southeast Asia: Tribute, Trade and Influence*. St. Leonard, NSW: Allen & Unwin, 2003.

———. "The Chinese Connection". In *Southeast Asian Affairs 2009*, edited by Daljit Singh, pp. 141–69. Singapore: Institute of Southeast Asian Studies, 2009.

Sturgeon, Janet. "Cross-border rubber cultivation between China and Laos: Regionalization by Akha and Tai rubber farmers". *Singapore Journal of Tropical Geography* 34, no. 1 (2013): 70–85

Tan, Danielle. *La Diaspora Chinoise du Cambodge. Histoire d'une identité recomposée*. Master's dissertation. Paris: Sciences Po, 2006.

———. "Du Communisme Neolibéralisme: le rôle des réseaux chinois dans la transformation de l'État au Laos". PhD dissertation, Sciences Po, Paris, 2011.

———. "'Small Is Beautiful': Lessons from Laos for the Study of Chinese Overseas". *Journal of Current Chinese Affairs* 41, no. 2 (2012): 61–94.

———. "Chinese Networks, Economic and Territorial Redefinitions in Northern Lao PDR". *Transnational Dynamics in Southeast Asia: The Greater Mekong Subregion and Malacca Straits Economic Corridors*, edited by Nathalie Fau, Sirivanh Khonthapane, and Christian Taillard, pp. 421–52. Singapore: Institute of Southeast Asian Studies, 2014a.

———. "China in Laos: Is There Cause For Worry?". *ISEAS Perspectives* 13, 16 May 2014*b*.

Trocki, Carl. "Chinese Revenue Farms and Borders in Southeast Asia". *Modern Asian Studies* 43, no. 1 (2009): 335–62.

Transnational Institute. "Alternative Development or Business as Usual? China's Opium Substitution Policy in Burma and Laos". *Drug Policy Briefing* 33, 2010.

Tsing Lowenhaupt, Anna. *Friction: An Ethnography of Global Connection*. Princeton: Princeton University Press, 2009.

Walker, Andrew. *The Legend of the Golden Boat. Regulation, Trade and*

Traders in the Borderlands of Laos, Thailand, China and Burma. Richmond: Curzon Press, 1999.

Wall Street Journal. “Laos Says China to Finance Rail Link”. 24 October 2012.

Walsh, John. “The Rising Importance of Chinese Labour in the Greater Mekong Sub-Region”. *The Asia-Pacific Journal* 12, 16 March 2009.

Wasana La-Orngplew. “Living under the Rubber Boom: Market Integration and Agrarian Transformations in the Lao uplands”. PhD dissertation, Durham University, 2012.

Weiss, Linda. *The Myth of the Powerless State*. Ithaca: Cornell University Press, 1999.

Xinhua. “China becomes largest investor in Laos”. 30 January 2014.

TRS7/15s

ISBN 978-981-4620-88-8

9 789814 620888