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Asia in 2021: In the grip of global and local crises

Edited by
Michelguglielmo Torri
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Contents

Laos 2017-2021: Revival of the subsistence ethic

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Since 2016, Laos has seen a tightening of social control by the ruling Communist Party. At the same time, socialism has returned as the cornerstone of the official discourse. While some have argued that the socialist discourse only serves the purpose of legitimizing either one-party rule or capitalist exploitation by the elite, others have taken the return of a socialist discourse at face value. This article tries to show that all interpretations are correct to some degree, since each of them focuses on a particular section of the elite. The article connects these elite tendencies with the positions and world views of the social groups in Laos in order to show that a more encompassing discourse evolves, which draws on traditionalism, with the aim of creating national unity. While the COVID-19 pandemic has led to an economic crisis in Laos, it has also strengthened the discourse.

Keywords – Pandemic; Party Congress; social inequality; socialism; subsistence ethic

1. *Introduction*

The period following the Tenth Congress of the Lao People's Revolutionary Party (LPRP) in 2016 can be characterized as the return to a socialist rhetoric.[1] An important question to study with regard to the Lao People's Democratic Republic (Lao PDR) concerns its actual commitment to socialism. It is possible to interpret the return to a socialist rhetoric as compoment of a coherent programme that has been pursued since the revolution in 1975 and especially since the dismissal of Soviet-style communism in 1979, namely the introduction of socialism after laying the groundwork according to Marxist theory. However, one can also interpret the socialist rhetoric as an attempt to legitimize authoritarian rule in a capitalist society. The interpretation of the rhetoric as mere propaganda can be supported as well. Finally, the rhetoric can be understood as an appeal to nationalism, collectivism and traditionalism. I will argue that all of these tendencies exist at the same time.

1. Boike Rehbein, 'Laos in 2017: Socialist Rhetoric and Increasing Inequality', *Asian Survey*, Vol. 58, No. 1, 2018, pp. 201-205.

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The LPRP introduced an increasing amount of capitalist institutions in a programme called the New Economic Mechanism in 1986.[2] This followed the Soviet Union's withdrawel from Southeast Asia and the necessity for Laos and Vietnam to seek support from Western-influenced international organizations. After attending several months of courses on liberal economics and the functioning of markets in Moscow, a large team of party cadres returned to Laos in the fall of 1986 to start the transition from a planned to a market economy.[3] Since then, basically all institutions of liberal capitalism have been replicated in the Lao PDR.

The introduction of capitalism put the leadership of the LPRP into a dilemma. With the expansion of capitalism came high rates of economic development, which is the main topic of the legitimizing discourse employed by the LPRP. This means, however, that a socialist rhetoric contradicts this legitimation and everyday reality in the Lao PDR – but if the socialist rhetoric is abandoned, the very foundation of one-party rule is eroded. In consequence, the LPRP can either dismiss socialism or compartmentalize politics and the economy. One way out of this dilemma is the return to the Marxist ideology of declaring capitalism a «stage» on the path to socialism. This is the main strategy pursued by the leadership since 2016. However, there are groups in the leadership that have heavily invested in capitalist activities. Some of them seem to have abandoned the idea of socialism, while others separate theory and practice.

This article argues that we should not consider the leadership of the LPRP as one monolithic bloc but as a set of different factions which reshuffle not only on ideological grounds but even on different issues. The following sections focus on the issue of socialism. Section two studies the configuration of domestic policy, section three foreign policy and section four economic policy. Developments in all three spheres are relevant for the understanding of the issue of socialism. The article argues, however, that it is crucial to analyze the configuration of social forces in order to understand the particular position of the LPRP on the issue, which is the topic of the final section.

2. *Domestic policy*

2.1. *Return to socialism?*

The Tenth Congress of the LPRP in 2016 was a remarkable shift away from a very balanced, multilateral policy to socialism.[4] Similar shifts occurred

2. For background information, see Grant Evans, *Lao Peasants Under Socialism*, New Haven: Yale University Press, 1990.

3. This is described in Boike Rehbein, *Society in Contemporary Laos*, London/New York: Routledge, 2017, p. 44.

4. For the following, see Boike Rehbein, 'Laos in 2017: Socialist Rhetoric and Increasing Inequality'.

at the same time in China and Vietnam. Even though all three communist parties have probably coordinated their policies, we must regard them as independent actors, as will be argued in section 3.1 below. The shift has been interpreted as one toward authoritarianism, which may be true for China, but not necessarily for Laos. The LPRP did strengthen its control on civil society and the public in general. At the same time, it also embarked on a widely publicized struggle against corruption, started to promote self-sufficiency and employed a socialist rhetoric. This rhetoric celebrates the leadership of the party, rediscovers Marx, argues against foreign interference, claims that Laos progresses toward socialism and celebrates the values of solidarity, national unity and scientific socialism. It was pushed by the remaining fighters of the revolution of 1975, who dominated the politburo in 2016 and had close links to the Vietnamese Communist Party.

The return to a socialist rhetoric is not confined to the declaration of the Party Congress but reaches many aspects of everyday practice. Neighbourhood watch has re-gained relevance and the control of civil society organizations has tightened since 2016. The internet censorship law and decree 115 on civil society organizations have been revised after the Party Congress. An interesting phenomenon is the return of the socialist term of address, «sahai» (comrade), which had almost become an insult in the two decades before 2016. The term is used on a regular basis again in spheres associated with politics and administration.

If we combine the declarations of and at the Party Congress with the subsequent developments, it is easy to see that their common denominator is de-globalization. Self-sufficiency, opposition to foreign interference, the socialist rhetoric and tighter control all point toward nationalism as opposed to globalism or internationalism. This is a tendency we see across the globe, not only in Laos. From this perspective, the agenda of promoting socialism against Western imperialism, including global capitalism, seems coherent and credible. It is difficult to reconcile, however, with the facts that Laos itself has become a capitalist society and that many of the LPRP leaders have become capitalists themselves. And it is especially problematic, if we consider the fact that development has been the key term in the legitimizing discourse.

2.2. *Development*

The Lao PDR has been one of most positive examples of cooperation with the international community, particulary as far as development is concerned. It adopted the UN-sponsored Millennium Development Goals (MDGs) – which range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education – and seriously attempted to carry out the connected action programmes. The Lao PDR also welcomed the Sustainable Development Goals (SDGs), which re-

placed the MDGs in 2015. It adopted almost all SDGs after their proclamation in 2015 and submitted the first Voluntary National Review in 2018.[5] However, in the review it insists that the SDGs have to comply with the national development plans. Where the SDGs contradict the national plans, the latter should prevail. This position can be interpreted as an attempt to instrumentalize the SDGs for advancing development without entirely subscribing to the political agenda of the SDGs.

In 2015, a Sector Working Group was set up to adapt the SDGs to the situation of Laos. The result was published as the Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025).[6] In cooperation with the Sector Working Group, the international community proposed to assist the Lao PDR in certain areas such as poverty reduction, capacity building, environmental protection (including climate change resilience) and good governance. On the other end, the Party Congress of 2016 defined four development norms, namely economic development, environmental sustainability, social inclusion, and, most importantly for the LPRP, security. One immediately recognizes the overlap with the four focal areas of the SDGs. Good governance, however, is translated into security, which may be only one of the aspects of good governance for the international community but is key for the LPRP.

Security, for the LPRP, comprises the main political goals. It means that «political stability, social peace and order, justice and transparency, are maintained».[7] The development norm of security also implies transparency, responsibility of the local administration, strengthening of management capacity and the rule of law.[8]

One may easily dismiss these statements as empty talk but this would be a mistake. Firstly, the Lao PDR has proven to be a serious and reliable partner in international development cooperation. Secondly, it is important to distinguish the Lao PDR from the authoritarian regimes that have gained ground in recent years around the world. One has every reason to believe that the LPRP is actually interested in the well-being of the people and a functioning society. This is the case even if one argues that the LPRP has this commitment only to remain in power.

Development, especially economic development, is an important aspect of well-being for many citizens around the world, including those of

5. Government of the Lao PDR, Lao People's Democratic Republic, *Voluntary national review on the implementation of the 2030 agenda for sustainable development*', July 2018.

6. Lao PDR, *Vientiane declaration on partnership for effective development cooperation (2016-2025)* (https://rtm.org.la/wp-content/uploads/formidable/Vientiane-Partnership-Declaration.pdf).

7. Lao PDR, Ministry of Planning and Investment, *8th five-year national socio-economic development plan (2016–2020)*, 31 October 2016, p. 89.

8. *Ibid.*

the Lao PDR. At least since 1986, the LPRP has promised development and it has delivered to a remarkable degree (cf. section 4.1 on economic development below).[9] It is difficult to meet people in Laos who are not convinced by the LPRP's capability of engineering development and managing to lift Laos out of poverty and the status of a least-developed country (LDC).[10]

By claiming that the LPRP is fully responsible for the Laos state, which has been re-interpreted as «political sustainability», the norm of security creates more rights and duties for the LPRP and more government authority. This can be justified by pointing to the international SDG of good governance or the ability of the LPRP to solve the technical problems of development. Apart from the norm of security, the norms of economic development and social inclusion should be immediately evident in their significance for the LPRP.

Environmental sustainability and climate change resilience have assumed an equivocal meaning in Laos. The focus is on sustainability, which ties in directly with the norm of security. Sustainability means continuation of one-party rule. As far as the environment is concerned, Laos is situated in another dilemma, which will be discussed in more detail in section 4. On the one hand, further economic development implies the destruction of natural resources and the environment; on the other, the government has to have a genuine interest in preventing natural disasters, even in the medium and long term.

2.3. *Party Congress 2021*

Political power in the Lao PDR is distributed among the Politburo, the Central Committee, the Secretariat of the Central Committee and the National Assembly. All members of the bodies are elected but only the National Assembly is composed of candidates elected by the general population while the three other organs are bodies of the LPRP. The Secretariat and the Politburo partly overlap in composition. The highest party cadre is the General Secretary. The ceremonial head of state, the President, and the Prime Minister as head of government, are usually members of the Politburo. While the Politburo is the most powerful organ, it is important to note that through elections, other levels of the LPRP and of the population at large are not entirely powerless vis-à-vis the leadership.[11] The general elections and the

9. See Supitcha Punya, *Restructuring domestic institutions: Democratization and development in Laos*, Ph.D. dissertation, Institute for Asian and African studies, Berlin: Humboldt University of Berlin, 2015.

10. *Ibid.*

11. It is interesting and relevant to compare the current situation with the description by Chou Norindr, 'Political Institutions of Lao People's Democratic Republic', Martin Stuart-Fox (ed.), *Contemporary Laos: Studies in the Politics and Society of Lao People's Democratic Republic*, London/Brisbane: University of Queensland Press, 1982, pp. 39-41.

Party Congress usually take place at about the same time, every five years. It should be added that the judiciary is subordinated to the political structure and has no independence.

The policies and tendencies which began in 2016 have been reconfirmed at the Eleventh National Congress of the LPRP in 2021. The proposition of Laos being on the path toward socialism was repeated several times by the party leaders in the course of the meeting. It was also proclaimed by the general secretary of the LPRP, Boungnang Vorachit. Bougnang retired from the Politburo, which was extended from 11 to 13 members. Nine of these 13 had already been members of the Politburo elected in 2016. The Central Committee was also slightly enlarged to 71 members. The new members of both organs are significantly younger and the percentage of women has increased.[12] It is important to note that up to a third of the Central Committee members are old revolutionaries who participated in the struggle that led to the revolution of 1975. Following the Party Congress, the government was reshuffled but few new names appeared. The previous prime minister and old revolutionary Thongloun Sisoulith became president, whereas Phankham Viphavanh, member of the Politburo since 2011, was elected prime minister.

The composition of the Central Committee is one of the foundations of the argument made in this article. We see divergent forces that do not form homogeneous groups, let alone a unified body. A total of seven children of former Presidents and LPRP Secretary Generals Kaysone Phomvihane and Khamtay Siphandone figure among the members of the Central Committee, which means 10% of the entire body. Other influential revolutionary families are represented as well. The old revolutionaries and their children can be considered the core of the Central Committee as well as of the Politburo.

Some of the members of this core have become large-scale capitalists. Khamtay is estimated to be the richest person in Laos.[13] In addition, a few new capitalists have entered the Politburo as well as some members of the royalist pre-revolutionary elites.[14] Finally, several members of the Central Committee have risen through the ranks from a modest background as committed and idealistic socialists. This heterogeneous body is unified by nationalism, anti-globalization and the socialist rhetoric. The commitment to socialism, however, varies significantly.

12. The percentage of women in the Central Committee increased from a bit more than 14 to 20. The old Politburo comprised one woman, the new has two female members, which also equals a percentage of about 20.

13. This view is widely shared. See, e.g., 'Meet the 10 Richest People in Southeast Asia (by Country)', *ProspectsASEAN*, 8 September 2018.

14. Compare the names of the current elite with those of the 1950s: Joel M. Halpern, 'Observations on the Social Structure of the Lao Elite', *Asian Survey*, No. 1, 1961, pp. 25–32.

2.4. *COVID-19*

Arguably, the most important development in Laos during the past years was the emergence of the COVID-19 pandemic – as in the rest of the world. Handling the pandemic in 2020 and the first half of 2021 was a great success for the government. Laos closed its borders with China already in January 2020 and recorded approximately 40 cases in the entire following year. Nationalism, unity and morality were the main issues around which the symbolic struggle against the pandemic revolved.[15] They clearly relate to the general strategy of the LPRP, whose position was strengthened significantly.

By the second half of 2021, the configuration had changed. On some days, Laos recorded as many new infections as in the entire year 2020. Moreover the country started to suffer from an economic crisis (addressed in section 4 below). From the perspective of the Lao population, the series of strict measures and lockdowns seems to have had little long-term impact in terms of health but a huge impact in terms of the economy.

For several reasons, the restrictions and the adverse economic effects are not met with the same level of discontent as in Western countries. First, the overall record of the Lao PDR in terms of control of the pandemic is still much better than that of any Western country. Officially, only a few persons, whose health was in bad condition previously, have lost their lives. Second, the appeal to national unity had been at the core of official propaganda since 1975 and especially since 2016. Third, more than half of the Lao population is still engaged in subsistence farming, either as the main activity or as a supplement. Under these conditions, an economic crisis does not have the same effect as in a fully industrialized economy. In early 2022, the government has loosened restrictions and may not return to excessively restrictive measures. But the economic crisis, which affects small enterprises and many globalized sectors of the economy, such as tourism, could still remain a major problem for the LPRP's position in 2022.

If the formal economy quickly recovers, however, the LPRP may be in a unique position to pursue its agenda and carry out its policies, if it generates enough income for the state budget. This describes the constraints for developing further domestic policies. Recovery of the economy and sufficient state revenue are key. Both are linked to external factors. The leadership may be able to balance the factors but could also be forced to lean into one direction or the other. The main variables concern the relation with China, an emphasis on national subsistence or closer links with the international community by focusing on the SDGs. The most likely scenario is a combination of all three.

15. Holly High, 'Laos in 2020. Reaping a Harvest of Unity and Debt', *Asian Survey*, Vol. 61, No. 2, 2021, pp. 144-148

3. *Foreign policy*

3.1. *China*

As for many countries of the world, the relation with China is probably the most important issue to consider for the Lao foreign policy. It is particularly important for Laos, since it shares a border with China, has one of its few communist allies in China and needs external assistance, which China grants. In addition, China has become the largest single investor in Laos and the biggest trading partner. Given the facts that Laos has a per-capita GDP of about US$ 2600 and a population of a bit more than seven million, which is equivalent to a secondary Chinese city, it seems self-evident that China entirely dominates Laos.[16] However, this very popular view is not entirely correct, since China is also dependent on Laos as a nation state, at least to a limited degree.

China's interests and strategies in Laos are pretty straightforward. The huge neighbour needs raw materials and seeks markets and influence. In addition, Chinese citizens are buying land, houses and businesses in Laos, often to settle in the relatively underpopulated small country. The main strategy of Chinese foreign policy, in Laos as in many other countries, is to carry out large infrastructure projects, which are financed by loans and grants extended to the respective government. In return, the Chinese demand comparatively little. The largest project in Laos in recent years has been a high-speed train from the Chinese border to Vientiane, to be extended to Kunming in the North and to Bangkok in the South. It is part of China's Belt and Road Initiative. The project cost more than US$ 6 billion, which is equivalent to almost one third of the GDP of Laos. The project was completed four weeks ahead of schedule on 3 December 2021. In return, Laos had to cede a corridor of land along the railway tracks to the Chinese and has to repay the loan at some point. China has become the biggest creditor by far, which evidently entails an increase of dependence on China.[17]

In addition, China constructs dams generating electricity for China in the North of Laos, puts up rubber plantations, starts businesses and settles farmers on Lao territory. The owners as well as most workers are Chinese. Both small and large businesses are increasingly owned by Chinese, just as before 1975. Laos is not yet owned by China but China as a nation state and the Chinese as individual entrepreneurs begin to play a significant role in the Lao economy. This creates much dissatisfaction among the Lao population and even within the LPRP leadership.

In spite of ensuing tensions, the LPRP has no option but to maintain

16. Samuel C.Y. Ku, 'Laos in 2014. Deepening Chinese Influence', *Asian Survey*, Vol. 55, No. 1, 2015, pp. 214-219.

17. The World Bank, *Lao PDR Economic Monitor. A Path to Recovery*, Vientiane/Washington: The World Bank, 2021, p. 28.

good relations with the Chinese Communist Party. China, Vietnam and Laos are some of the few nominally socialist countries left. Even though the relations between China and Vietnam are cold, both countries still need each other's support.[18] Vietnam has been considered to be Laos' big brother since the revolution in 1975. Some commentators even regard the LPRP as a branch of the Vietnamese Communist Party.[19]

Since Vietnam has successfully defied the Chinese on several occasions, the obvious thing to do for the Lao leadership is to offset Chinese influence by forming a close alliance with Vietnam. This actually seems to be the case. However, relations between China and Vietnam have improved over the past decades. This casts doubt on whether an alliance between Laos and Vietnam can offset Chinese influence.

To regard Laos as China's puppet, however, would be too simplistic. From the Chinese perspective, Laos is not merely another country to be exploited and dominated. It is one of China's few real allies, since it is one of the few countries remaining that has the same form of nominal socialism. The Lao leadership is entirely aware of the amount of independence this entails. The socialist tendencies since 2016 are linked to the Chinese tendencies but they are not caused by them. China, Vietnam and Laos have all moved at the same time to a tighter control of society and a stronger position of the ruling party. This has pushed the three countries closer and strengthened the position of their communist parties both internationally and domestically. This tendency toward authoritarianism has been viewed very critically by the West and has led to an increase of the already high level of suspicion and political skepticism toward the three countries. As a reaction, the relations between them have become tighter. In this configuration, China needs Laos as a partner in international organizations, discussion forums and discourses.

3.2. *ASEAN and beyond*

Since the withdrawal of the Soviet Union from Southeast Asia, the Lao PDR has increasingly relied on cooperation and development aid from the international community. For about two decades after the breakdown of the Soviet Union, it seemed as if Laos might become just another junior partner of the West. The country complied with many of the suggestions and demands formulated by the West. This cooperation focused on development. As illustrated in section 2.2 above, development is a key topic in domestic policy and legitimation. The international and the domestic

18. Jo Inge Bekkevold, "The International Politics of Economic Reforms in China, Vietnam and Laos", in Arve Hansen, Jo Inge Bekkevold, Kristen Nordhaug (eds.), *The Socialist Market Economy in Asia*, Singapore: Springer, pp. 27-68.

19. Martin Stuart-Fox, *Buddhist Kingdom, Marxist State: The Making of Modern Laos*, Bangkok /Cheney: White Lotus Company, Ltd., 1996: pp. 192-197.

institutions actually pursue a developmentalist agenda. However, the developmentalist agenda is linked to the idea of a multi-party democracy on the side of the international community and to the preservation of one-party rule on the side of the LPRP. In the past decade, Western donors and NGOs have been complaining that the conditions for their work keep deteriorating. In this period, the LPRP has returned to the socialist rhetoric, which obviously does not comply with the agenda of the West. It has become evident that Western powers no longer play a relevant role in Laos. This is especially true for the EU. The ASEM meeting of 2012 in Vientiane was something like a watershed when EU representatives brought up issues like human rights and liberal democracy, which caused Laos to openly cool its relations with Europe.

Historically, all states that have been constructed in the territory of contemporary Laos were forced to reach a balance of power with their big neighbours, especially Vietnam and Thailand, but also, to some degree, China. Laos entertains good relations with all neighbours at present and it is no longer the stubborn, annoying junior partner in Southeast Asia but a country to treat with some respect. The state has contributed constructively to the ASEAN, especially since the regional association does not interfere in domestic affairs – except to a very limited degree in Myanmar recently. In 2016, Laos held the presidency of the ASEAN. The country seeks to moderate in conflicts and tries to avoid any aggression toward its neighbours. In addition to the traditional politics of balancing, Laos is seeking good relations with diverse powers due to the interests of the different factions in the leadership and the Central Committee. Relations with the big neighbour Thailand, which used to be problematic, have been improving since the 1990s. While socialist rhetoric is as unpalatable to the Thai government as to international organizations, Thailand's international position has weakened with the military coups. The fact that they have not met with explicit criticism on the part of the Lao leadership, has made Thailand somewhat dependent on Laos politically in a structurally similar way as China.

The Global Peace Index has listed Laos in the upper quarter for many years now.[20] It is safe to say that the Lao PDR cannot be considered a security risk.

4. *Economic policy*

4.1. *Macro-economic data*

Even though Laos no longer has a centrally planned economy, the Party Congress approves a National Socio-Economic Development Plan. The Ninth Plan was approved in 2021 for five years in addition to a Socio-Eco-

20. Published on the website https://www.visionofhumanity.org/maps/#/.

nomic Development Strategy, which was adopted in 2016 for the subsequent ten years. The main goal of both documents is to make of Laos a middle-income developing country by 2030. This very ambitious goal may not be reached; nevertheless, Laos' economic growth over the past decades has been very impressive, especially considering the fact that the country was an almost entirely agrarian society of subsistence peasants at the time of the revolution in 1975 and did not record any economic advances in the following four years of Stalinism.

The Development Plan focuses on sustainability in accordance with the promotion of the SDGs (see section 2.2 above). The strategy explicitly denies the exclusive focus on economic growth but pays attention to the basic needs of the population and the reduction of poverty. Specific goals are defined: reduction of the poverty rate to 10% by 2020, a GDP per capita of at least 1810 USD by 2021 and an average GDP growth of at least 7.5%.[21] Interestingly, the first two goals have been reached. In fact, the threshold of 2,000 USD per-capita GDP was already surpassed in 2016.

The high growth rate was stifled by the economic crisis due to COVID-19 but was not even met in the years before. It was already less than 7% on average in the period 2016-2019, dropped to 4.7% in 2019 and to just below zero in 2020.[22] Even though a certain rebound was expected for 2021, growth probably did not significantly pass the rate of 2020. The outlook for 2022 is uncertain as well.[23]

In early 2020, industry contributed around 32% to the GDP, services more than 40%, and agriculture 16%.[24] This means that Laos has developed a significant industrial base. However, many of the industrial enterprises are large-scale projects like electricity production, mining and infrastructure, and are often at least partly foreign-owned. The high growth rates bear witness to the relevance of globalization in Laos, as total consumer spending and capital stocks in the small country are still low. Foreign aid, foreign direct investment and the export of raw materials continue to be the drivers of economic growth, even though agriculture and manufacturing are key sectors. In addition, tourism used to be another key driver of economic growth.

It is important to look at indicators that are relevant to the population at large. In general, inflation has remained low during the past years, down to almost zero in 2017 but up again to 5% in 2020.[25] Therefore, the labouring population has been able to benefit from economic growth to some de-

21. Lao PDR, Ministry of Planning and Investment, *8th five-year national socio-economic development plan (2016–2020)*.

22. Asian Development Bank, *Asian Development Outlook*, Manila: ADB 2020, p. 276.

23. Asian Development Bank, *Asian Development Outlook Update. Transforming Agriculture in Asia*, Manila: ADB, 2021, p. 218.

24. Asian Development Bank, *Asian Development Outlook*.

25. Asian Development Bank, *Asian Development Outlook*, p. 196.

gree. However, prices for many important items, especially rice and energy, have increased disproportionately. At the same time, income opportunities have been reduced by measures against COVID-19, not only in Laos but in the neighbouring countries. Most households have to economize in their daily expenditures, which creates dissatisfaction; employment rates have dropped; migrant workers had to return home from Thailand; incoming tourism has almost disappeared; many small businesses, which account for more than 95% of the total of enterprises in Laos[26], had to shut down.

As mentioned in section 2.3, these developments, nonetheless, were a disaster neither for people's livelihoods nor the government's legitimacy. Almost half of the population continues to practice subsistence farming, while a sizeable proportion of the remaining population, including in the cities, owns at least a vegetable garden and sometimes even sections of a rice-field. In addition, state employees and most industrial labourers continued to receive their salaries. Therefore, the crisis remained limited mainly to the informal economy, which employs at least 90% of the workforce outside the state and the subsistence economy.[27]

Against this background, one would expect a downturn in the standard of living of parts of the population, which does not affect other segments. But – as proven by the macro-economic indicators – the situation prevailing in Laos looks less worrisome than for most other countries in 2021. This is because the formal economy of Laos is dominated by large-scale projects that generate large sums of money, employ relatively few people and are somewhat crisis-prone. The biggest industries in Laos, as far as revenue is concerned, are electricity, timber and mining. While many of the companies are foreign-owned, as was mentioned above and with regard to China in section 3.1, they also generate some direct income for Lao workers. And they also create indirect revenue via services bought by these workers. However, the total rate of employment by these industries is rather low.

As far as the economy is concerned, two factors have a negative impact, which will become even more relevant in the coming years. First, the relatively low level of skills limits further industrial expansion and especially progress in the fields of high productivity and technology. The increase of skills will remain limited since Laos lacks good institutions of education on all levels. Even though the improvement of the past decades has been impressive, Laos is still lagging behind due to historical factors. Neither the kings nor the colonial powers invested anything into education. The second negative factor is the small fiscal basis of the state, which translates into a

26. The World Bank, *Lao PDR Economic Monitor. Maintaining Economic Stability*, Vientiane/Washington: The World Bank, 2019, p. 11.

27. Cf. The World Bank, *Lao PDR Economic Monitor*, pp. 60 ff.

high level of debt and high debt-service rates.[28] The Lao government has little autonomy in devising development plans but has to rely on external sources – which have been shifting from the international community to China.

4.2. *Economic inequality*

As in almost all countries, economic inequality has been increasing in Laos over the past decades. This is especially visible in the extreme wealth concentration in the elite, which comprises the high-ranking politicians, who proclaim a socialist rhetoric. Since equality is at the core of the socialist idea and the socialist agenda in Laos has been very strongly associated with equality, increasing inequality is a major issue and a main reason for discontent in the Lao population. At the same time, the leadership does not seem to take serious measures against inequality.[29]

Even the politically less problematic struggle against poverty has not been very successful during the past years. The result is a residue of around 10% of the population, who are very poor, a tiny group of extremely wealthy families and a comparatively large middle with a rather low level of income by international standards. The fact that many of the very rich are members of the political elite or closely connected to it, puts the LPRP in a difficult position. In order to remain credible, it has to do something about inequality but this would mean attacking its own leadership.

One successful measure by the LPRP that was interpreted as a struggle against inequality concerned corruption. The newly founded State Inspection Agency, following the Party Congress of 2016, hunted hidden wealth and identified corrupt officials. More than 100 persons have been charged with corruption in the process and tens of millions USD have been repatriated.[30] In part, the struggle against corruption may have had political or even personal roots but to a large degree, it responded to dissatisfaction in the population. The standard comment by any Lao on the display of wealth is «corruption». Therefore, the struggle against corruption has been highly popular.

28. The fiscal balance of the Lao PDR has been negative for most of the past century. In recent years, the deficit has been lowered to 5% of the GDP. See Asian Development Bank, *Asian Development Outlook*, p. 359.

29. Oxfam identifies Laos as one of the countries least committed to the fight against inequality. In its *Commitment to Reducing Inequality Index* (London: Oxfam, 2018) Laos ranks 150 out of 157 countries.

30. 'Xayaboury uncovers 210 billion kip lost to corruption', *Vientiane Times*, 24 October 2018.

5. *Society*

5.1. *Social inequality*

In Laos, we can clearly observe that contemporary inequalities are rooted in earlier hierarchies.[31] The revolution led to a huge exodus of middle classes and elites but members of both have returned and are occupying places in society that resemble their previous social positions. Almost all peasants today are descendents of peasant families and the small working class is mostly recruited from peasant families as well. At the same time as new structures of inequality are emerging, the older hierarchies persist to some degree, since almost half of the population continue to be peasants. The older hierarchies are rooted in pre-socialist times.

The pre-socialist hierarchy was basically identical with the social structure that Oliver Wolters has called a «mandala».[32] In Laos, the mandala consisted of peasant villages in a difficult environment (often characterized by slash-and-burn agriculture) and peasants in a favorable environment, all of whom had links of dependence with urban centres. While the peasant villages had little internal stratification except family relations (gender and age), the urban centres were stratified according to rank, profession and title. The nobility and princes formed the top layer. The territory of contemporary Laos hosted several mandalas that were sometimes integrated into larger states and sometimes fragmented into many small principalities. In between, there were countless small villages with no or very temporary ties to urban centres. They retained some independence due to their location, resistance or nomadic life-style.

The mandala was the basic structure of society until the beginning of colonialism in 1893. It continued to be relevant in many degrees even under colonial rule, as the French, who formed the state of Laos out of several principalities, had little use for the colony. Colonial rule and the Second Indochinese War from 1954 caused significant transformations but did not fully destroy the mandala structure. Therefore, it remained the most relevant social structure until 1975.

Rule by the LPRP partly transformed the entire society and partly added a supplemental layer to the mandala, namely the party apparatus, in which members are ranked according to their position, from local member to cadre to member of the Politburo. These can be categorized into village cadres, administration, leading cadres and party leadership. While the party apparatus extends into every village and contributes to the integration of

31. The following is based on Boike Rehbein, *Society in Contemporary Laos*. The empirical foundation are a quantitative survey of 648 face-to-face interviews, around 250 qualitative interviews and 75 focused life-course interviews (see ibid., p. 8).

32. Oliver W. Wolters, *History, Culture, and Region in Southeast Asian Perspectives*, Singapore: Institute of Southeast Asian Studies, 1999 (1st edition: 1982).

the nation state, only few citizens are actually party members. If we include the administration and public employees, the socialist structure includes no more than 20% of the population at the beginning of 2022.[33]

From 1986, the socialist structure and the mandala began to be complemented by a capitalist structure. The capitalist hierarchy can be divided into the marginalized class (unemployed, beggars, day labourers), the working class, commercial farmers and traders, the new urban middle class and the capitalists. At the beginning of 2022, the capitalist structure comprises approximately 30% of the population. About half of the population continues to live in structures that are rooted in the mandala and works accordingly. They practice subsistence farming. Although their ways of life today include mobile phones and pharmaceuticals, the social structures and mentalities have not changed very much with regard to the mandala.

The transformations which have taken place in the country opened chances of social mobility. The revolution offered mobility to peasants from all ethnic groups. However, this mobility stopped once the socialist hierarchy was established. The transition to capitalism opened up business opportunities and thereby some social mobility but most of the new entrepreneurs were members of the old and new elites as well as businesspeople from the neighboring countries. Just like in any other country, the overwhelming percentage of the population occupies a similar social position as their parents. Peasants are children of peasants, and even most of the employees have a father who was an employee.[34] The same tendency to reproduce the family's social position is visible in education. If the father occupied a higher social position, his children inevitably have a high level of education.

The leader of the revolution, Kaysone Phomvihane, clearly recognized that older inequalities persisted in spite of the revolution, because, in his view, they were incorporated in people's patterns of thinking and acting.[35] Therefore, Phomvihane prioritized people's education over other measures on the path to socialism. The current leadership of the LPRP does not seem to give these issues much consideration. But it is obvious that the current gaps between the different social groups will reproduce social inequality, which also means that no serious decrease of inequality is possible if these issues are not addressed.

The reproduction of inequality is a problem for any government that pursues an ideology of equality. Laos is in a better position to handle this problem than any Western country, however. On the one hand, social mobility still is possible to some degree within the LPRP. Anyone entering the party on the local level can rise through the ranks and, as a consequence,

33. For the numbers and the construction of the social groups, see Boike Rehbein, *Society in Contemporary Laos*, pp. 62, 68.

34. Boike Rehbein, *Society in Contemporary Laos*, p. 101.

35. Kaysone Phomvihane, *Niphon Leuak Fen* (Selected Papers; 4 volumes), Vientiane: State Press, 1985, Vol. I, p. 106; Vol. II, p. 18.

increase social standing and wealth. There are many examples of this, even if the opportunities for young people are not as ample as they used to be for the revolutionaries. This mobility reaches up into the Central Committee. Conversely, the socialist rhetoric draws on collectivism rather than individualism. And it is precisely this rhetoric that has been strengthened by the Party Congress in 2016. It refers to unity, moralism and nationalism. This type of collectivism glosses over existing hierarchies and puts everyone «in the same boat».

Of crucial importance is the fact that the collectivism in the socialist rhetoric evokes the world view of the peasant. Since half of the citizens are peasants and many others grew up as peasants, the appeal of collectivism is evident. James Scott has described the world view of the Southeast Asian peasant as «subsistence ethic».[36] The peasant does not act as a utilitarian individual but as the member of a collective that tries to assure the survival of all members until the next harvest. The peasants do so in the context of a mostly self-sufficient rural economy. Subsistence ethic has returned with the Party Congress in 2016 and it was strengthened by the pandemic as well as by the rhetoric around it.[37]

Most citizens of Laos born before the introduction of capitalism have grown into a peasant society dominated by subsistence ethic and were possibly influenced by socialist ideology to some degree.[38] And most citizens alive today continue to have access to a piece of land. Peasants in the villages continue to adhere to subsistence ethic, most people living in a town own a garden around the house, and members of the urban middle class often possess some land in the countryside. With many urbanites and townspeople losing their jobs or income opportunities, they can fall back on subsistence farming and thereby to some degree of subsistence ethic.

The pandemic has moved people closer together and reminded them of solidarity and subsistence ethic. Even though the LPRP is not directly responsible for this, it can claim some of the credit by making use of the socialist rhetoric. The government is actually not untruthful in claiming some of the credit, as the return to subsistence ethic is only possible because the actual conditions correspond to it. This happens because most people are in a position to practice subsistence farming. This has interesting consequences. While Grant Evans has shown that socialism contradicts subsistence ethic by imposing a bureaucratic structure on an organic collective[39], subsistence ethic now strengthens socialist ideology.

36. James C. Scott, *The Moral Economy of the Peasant*, New Haven/London: Yale University Press 1976.

37. Holly High, 'Laos in 2020. Reaping a Harvest of Unity and Debt'.

38. Grant Evans, *Lao Peasants Under Socialism*.

39. *Ibid*.

5.2. *Inequality and socialist rhetoric*

The increase of economic inequality partly results from the transition to capitalism. However, it is not the outcome of a competition between free and equal individuals on a level playing field. As argued in the preceding section, present inequalities are rooted in earler inequalities. With the transition to capitalism, new social groups appear that compete with the LPRP apparatus and are more interested in consumption than in socialism. The rising urban middle class expresses dissatisfaction with political restrictions, corruption, clientelism and the slow pace of development. Almost all members of the new urban middle class share negative opinions about the current state of affairs in Laos.

While there is too much socialism for the new urban middle class, there is too little for the poor farmers and peasants. The peasant was the hero of socialist Laos and may still epitomize the nation. In turn, the peasants support the socialist agenda, since it raises their status and calls for social equality. But the urban population and international organizations show disrespect for the peasant's way of life. Capitalism seems to discard peasantry and its culture. More than 90% of all adolescents and almost 100% of young people in the cities declare that they do not want to be peasants or farmers. Conversely, the majority of peasants who regard themselves as poor would prefer to seek a different source of income and a different way of life.[40]

Poor peasants are economically poor and officially considered as the poor section of the population. They are classified as underdeveloped and backward by programmes aimed at the eradication of poverty by the Lao government and international organizations. This classification is not adopted in the case of wealthy commercial farmers and those peasants who live in comfortable conditions, who repeat the socialist discourse that the peasant incorporates the ideal Lao and produces rice, which is the national staple food. The extremely poor peasants settling in remote areas and mountainous regions as well as peasants living close to urban areas, however, have realized that they are regarded as the «losers» of the capitalist transformation.

Peasants who have come to regard themselves as poor literally live in another historical time and society. Their mentality was formed under conditions which have ceased to exist. It is not adapted to the present, which entails insecurity and fear. Peasants even express fear of unemployment, though a peasant cannot be unemployed. People experiencing this insecurity long for order and, in Laos, this order – along with respect – is provided by the socialist agenda.

The younger generation experiences insecurity as well, albeit of a different type. Adolescents know that they are the first generation in Lao history which cannot be appropriately prepared for life by their parents and, as

40. Phout Simmalavong, *Rice Rituals in Laos*, New Delhi: Palm Leaf, 2010, p. 114.

a consequence, has turned away from the homes and customs of their parents. Western lifestyles are increasingly attractive to the younger generation, especially in urban areas. This is particularly evident in clothing, music and language. Lao adolescents largely reproduce their parents' social position, but they do not replicate their forms of life and their ideas. Adolescents clearly move toward capitalism. Among them, the socialist rhetoric is losing ground to consumerism and Western lifestyles.

If we look at the population who is the recipient of government discourse, we see that most peasants, the party apparatus and some of the urban poor welcome the socialist rhetoric.[41] Together, they represent far more than half of the entire population. The rhetoric is less popular among the new urban middle class, capitalists, labourers and adolescents. However, since most of the older citizens have peasant roots, the appeal to collectivism and subsistence ethic finds their support, at least to some degree.

If we look at the elite, we see that all possible interpretations of the socialist rhetoric seem to coexist at the same time. For the capitalists, this rhetoric is mostly a façade. They have nothing to do with socialism but subscribe to the ideology in order to preserve social stability. The core of the leadership may use it as mere propaganda to preserve authoritarian rule. But many members of the top elite actually believe in socialism and try to pursue it as a political programme. The appeal of the socialist rhetoric to the population as a nationalist form of subsistence ethic is evident. It may be interpreted as a misunderstanding from both sides, the elite and the population. I would argue, however, that all interpretations find a minimal consensus in it, which allows them to subscribe to the LPRP's agenda knowing that their own goals are represented to some degree.

6. *Conclusions*

In recent years, Laos has been portrayed as an authoritarian regime controlled by China. This portrayal is flawed in many regards. On the one hand, Laos is much more diverse internally than the portrayal suggests, even within the leadership of the LPRP. It also pursues a multilateral foreign policy. On the other hand, the domestic conditions of state, economy and society as well as the international configuration seriously limit the policy options for the government.

The leadership itself comprises different factions. Socially, old elites, socialists and capitalists have to be distinguished from each other, even if they intermarry. Ideologically, they span a wide spectrum as well. This somewhat heterogeneous elite deals with a population that ranges from very

41. Boike Rehbein, 'Laos in 2021: One More Return to Subsistence Ethic?', *Asian Survey*, Vol. 62, No. 2.

poor village communities in remote mountain regions to a new urban middle class. The social groups are rooted in different social hierarchies; one might even say in different historical times. Their needs and preferences differ as much as their ideologies. The socialist rhetoric, in its interpretation as a nationalist subsistence ethic, is capable of appealing to a large number of social groups.

Since Laos is not only dependent on China but China also needs Laos in some ways, the interpretation of Laos being entirely dominated by China is misleading. The Lao leadership has long-standing and close relations with the leadership of the Vietnamese Communist Party, which has, for historical reasons, kept Chinese influence at bay. In addition, the Lao government can also appeal to the West and its allies, including Thailand, and use its links as a bargaining power vis-à-vis China.

However, the LPRP has little influence on the international configuration and the internal social structures. Furthermore, the financial resources of the government are extremely limited. Finally, the level of economic development is low and fragile. The constraints arising out of these circumstances leave very little strategic space for the Lao leadership. There is a multitude of forces to draw upon but the forces themselves can hardly be altered. The return of the socialist rhetoric has to be interpreted within this framework.