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Laos: Background and U.S. Relations

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Summary

On November 19, 2004, Congress passed the Miscellaneous Trade and Technical Corrections Act of 2004 (P.L. 108-429), which granted nondiscriminatory treatment to the products of Laos after several years of debate. Laos was one of only three countries in the world that did not have normal trade relations (NTR) with the United States. The Lao government's treatment of former CIA-trained Hmong guerillas remains a key problem for U.S. policy toward Laos and point of contention between the two countries. The United States and Laos cooperate in important areas, including recovering remains of Americans missing in action (MIAs) from the Vietnam War, counter-narcotics and de-mining efforts. Laos successfully hosted the 10th Summit of the Association of Southeast Asian Nations (ASEAN) in November 2004. In 2005, the United States Commission on International Religious Freedom removed Laos from its watch list, citing improvements in human rights conditions for religious followers.

Congressional Interests

Since 1997, when the United States and the Lao People's Democratic Republic (LPDR) concluded a bilateral trade agreement, legislation to extend normal trade relations (NTR) treatment to the LPDR faced opposition from many Members of Congress concerned about human rights conditions in Laos and the plight of the Hmong minority. Until November 2004, when Laos was granted NTR status, the LPDR was one of only three countries that did not have normal trade relations with the United States, and the only country with normal diplomatic relations that was denied NTR treatment.¹ Some prominent Hmong-American organizations opposed enacting the trade agreement, although the Laotian-American community as a whole was reportedly split on the issue.²

¹ In 2004, the three countries that did not have NTR status with the United States were Cuba, Laos, and North Korea.

² Vaudine England, "Laotians Are Divided over U.S. Trade," *Wall Street Journal*, September 1, 2004; Daniel Lovering, "Former Enemies Wage Battle over U.S. Trade with Laos," *Associated Press*, January 12, 2004; Frederic J. Frommer, "Free Trade Deal for Laos Splits Hmong (continued...)"

On November 19, 2004, Congress passed the Miscellaneous Trade and Technical Corrections Act of 2004 (P.L. 108-429), which extended nondiscriminatory treatment to the products of Laos. The President signed the bill into law on December 3, 2004. On November 19, 2004, the Senate also agreed to S.Res. 475, “A Resolution to Condemn Human Rights Abuses in Laos.”

U.S. foreign assistance to Laos focuses on de-mining and counter-narcotics programs³ as well as joint efforts to account for Americans missing in action (MIAs) from the Vietnam War. Total U.S. assistance to Laos in FY2005 is estimated to be \$4.5 million compared to \$3.9 million in 2004, with most of the increase going to de-mining activities.⁴ In 2003, the largest providers of bilateral development assistance were Japan (\$86 million), Sweden (\$22.7 million), France (\$18.5 million), and Germany (\$15.9 million).⁵

Political and Economic Situation in Laos

Political Situation. The Lao People’s Revolutionary Party (LPRP), a secretive, Leninist political organization, has sole authority over the government and society of Laos. Despite the existence of factions, the Party appears to be united against fundamental political change or democratization. The main factions in the LPRP reportedly represent economic reformers, economic

Laos in Brief

Chief of State: President Gen. Khamtai Siphandon
Population: 6.2 million
Per Capita Income: \$390 or \$1,900 (purchasing power parity)
Life Expectancy: 55 years
Literacy: 66%
Religious Affiliations: Buddhist — 60%; Animist — 30%; Christian — 1.5%.
Ethnic Groups: Lao (lowland and upland) — 90%; Highland (Hmong and Yao) — 9%; Vietnamese and Chinese (1%).
Major Industries: hydroelectric power, tin and gypsum mining, timber, agricultural processing, coffee production, garments, and construction.
Largest Export Markets: Vietnam, Thailand, France
Sources: *CIA World Factbook; Economist Intelligence Unit.*

² (...continued)

Community,” *Associated Press*, May 6, 2003.

³ Poppy production in Laos, once the world’s third-largest producer of opium, reportedly has declined by 73% in the past five years (some experts estimate that Laos is now the 5th largest source of the drug). However, the often forced reduction in opium farming reportedly has resulted in a marked increase in poverty, malnutrition, and related health problems among former poppy farmers. See “Laos Politics: Vicious Triangle,” *EIU Newswire*, August 15, 2005.

⁴ The United States dropped more than 2.5 million tons of ordnance on Laos during the Vietnam War, more than the total used against Germany and Japan in World War II. An estimated 10 million unexploded submunitions or “bomblets” (UXO) remain scattered across the country, killing approximately 200 Laotians per year (an estimated 5,700 killed and 5,600 injured since 1973). UXO also takes a significant economic toll on rural areas. Paul Wiseman, “30-Year-Old Bombs Still Very Deadly in Laos,” *USA Today*, December 12, 2003; Ellen Nakashima, “U.S. Search Teams Scour Old Battlefields: More than 1,800 Are Still Missing in Vietnam Alone,” *Washington Post*, May 4, 2004.

⁵ *The Economist Intelligence Unit*, “Country Profile 2005.”

conservatives, the military, regional and provincial interests, pro-China and pro-Vietnam leanings, and younger and older cohorts.

Since 1999, the LPRP has faced intermittent, sometimes violent incidents of political opposition. In October 1999 and November 2000, university students and teachers staged two demonstrations for democratic reforms, resulting in dozens of arrests. Since 2000, rebel militias operating out of Thailand have staged several attacks on Lao border posts and anti-government groups have detonated over a dozen small bombs in the capital, Vientiane, and other cities, killing several people. At least two groups, the Free Democratic People's Government of Laos and the Committee for Independence and Democracy in Laos, reportedly have claimed responsibility for the explosions. Between February and August 2003, seven ambushes of highway buses and other vehicles were reported, in which over 40 people were killed, including two Swiss tourists. The Lao government has both attempted to downplay the attacks and occasionally blamed Hmong insurgents. So far, these isolated attacks have not sparked widespread anti-government activity and, according to analysts, the regime's hold on power remains firm.

Foreign Relations. The LPDR's socialist government makes the country a natural friend of Vietnam and China. However, Laos maintains important economic ties with Thailand, participates in regional organizations, and depends upon European countries and Japan for foreign aid and trade. Vientiane has made some efforts to heed U.S. pressure on human rights, particularly regarding religious freedom, and welcomed NTR status as a step toward better U.S.-Lao relations.

Vietnam's influence remains strong, particularly in political and military affairs, although China's influence is growing. China provided the LPDR with critical economic assistance during the Asian financial crisis of the late 1990s. In addition, in the past several years, China has extended foreign aid in the form of grants, low-interest loans, technical assistance, investment, and agreements between Laos and Chinese firms for high profile development projects, such as a rubber plantation, cement factory, electricity network, fiber optic cable, university construction, and monumental park in Vientiane. In a display of growing maturity as a member of the Association of Southeast Asian Nations (since 1997), Laos successfully hosted the 10th ASEAN Summit in November 2004 and the ASEAN Ministerial Meeting in July 2005.

Economic Conditions and Trade. Laos is a small, mountainous, landlocked country bordering Burma, Cambodia, China, Thailand, and Vietnam. One of the poorest countries in Asia, with a per capita annual income of \$390, Laos ranks 133th on the United Nations Development Program *Human Development Index*, which measures life expectancy, education, literacy, and gross domestic product (GDP) per capita. The country's road and communications systems are underdeveloped. Subsistence agriculture accounts for about half of GDP and involves over 80% of the country's labor force. About 18% of GDP comes from manufacturing.⁶

In 1986, the LPDR government began a policy of economic reform: disbanding collective farms, allowing market forces to determine prices, legalizing private ownership of land, and encouraging private enterprise in all but some key industries and sectors.

⁶ Bertil Lintner, "Stalled Reforms," *Far Eastern Economic Review*, November 7, 2002.

Between 1988 and 1996, the country's economy grew by 7% per year. It faltered in 1997 due to effects of the Asian financial crisis, a drop in exports to Thailand, and the re-imposition of central controls. The economy began to stabilize in 2000. Real growth averaged 6.1% in 1999-2003. GDP grew by 5.5% in 2004 and is expected to expand by 6.5% in 2005-2006.⁷ Tourism is expanding, with nearly 900,000 foreign visitors in 2004, although security concerns have hindered growth.

The ASEAN Free Trade Area (AFTA), enacted in 2003, has lowered tariffs on most goods traded among the six original members.⁸ The four least developed ASEAN countries (Vietnam, Laos, Myanmar [Burma], and Cambodia) are granted longer time frames in which to implement full tariff reductions. The LPDR's principal trading partners are Thailand, Vietnam, and China.⁹ Vietnam, China, and Australia are major investors. The European Union (EU) is an important market for Lao textiles and garments. In 2004, Laos exported \$3.3 million worth of goods to the United States, down from \$4.1 million in 2003 — mostly apparel, wood products, and coffee.¹⁰ By contrast, the EU imported \$164 million worth of Laotian merchandise in 2004 — mostly apparel and accessories — up from \$135 million the previous year. In October 2004, Laos formally began the accession process to join the World Trade Organization.

With the help of foreign investment, the LPDR has built several large dams since the late 1990s and has begun exporting electricity to Thailand and Vietnam. In 2005, the World Bank and Asian Development Bank approved up to \$270 million and \$120 million in loans and risk guarantees, respectively, for the 1,070 megawatt Nam Theun 2 Hydropower Project, following nearly a decade of negotiations. Many international environmental and human rights groups opposed the project because of its potential adverse impact on ecosystems and livelihoods and the displacement of roughly 5,000 people. The sale of hydroelectric power already makes up nearly one-third of the country's exports, followed closely by garments.

Human Rights Issues

Following the communist assumption of power in 1975, the Lao government dealt harshly with its perceived political opponents, including Royal Lao Government and Army officials, the royal family, and U.S.-trained Hmong guerrilla fighters, sending 30,000-50,000 of them to “seminar camps” (also called “reeducation centers”). Nearly all remaining political prisoners reportedly were released by the late 1980s.¹¹ According

⁷ “Country Outlook: Laos,” *The Economist Intelligence Unit* (May 2005).

⁸ ASEAN's six original members were Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

⁹ Some observers estimate that unofficial trade and investment between Laos and China is much higher than official figures.

¹⁰ United States International Trade Commission.

¹¹ Over 300,000 Laotians, mostly Hmong, fled Laos after the communist takeover, mostly to Thailand and then to other countries. Mike Fahey, “Laotians Face Death If Sent Home, Activist Says,” *Madison Capital Times*, December 16, 1999.

to the U.S. Department of State, the LPDR's human rights record remains "poor."¹² The government does not allow the independent organization of political, religious, or labor groups, severely curtails free speech and association, controls the country's judiciary, and regularly denies due process. In addition to hundreds of short- and long-term political detainees, there were eight known political prisoners in 2004. According to former prisoners, extremely harsh conditions and the use of torture in Laotian jails are common.

Religious Freedom. The U.S. State Department characterized Laos as a "totalitarian or authoritarian regime" for six consecutive years (1999-2004). It never designated Laos as a "country of particular concern" (CPC) for systemic and egregious violations of religious freedom, despite the United States Commission on International Religious Freedom's (USCIRF) recommendation that Laos be placed on the CPC list from 2000 through 2003, mostly for persecution of the Christian minority. In February 2004, the Lao government and the U.S. Embassy in Laos jointly conducted a seminar on religious freedom issues. In 2004, the USCIRF did not recommend that Laos be designated as a CPC, and instead placed the country on a "watch list." In 2005, the USCIRF removed Laos from the watch list, citing the re-opening of most of its closed churches, release of almost all religious prisoners, and official denunciation of campaigns to force renunciations of faith. Many violations of religious freedom have occurred in rural areas, where local government officials reportedly suppressed Christian activities for allegedly having foreign influences, disrupting local customs and practices, competing for village resources, or challenging local authority.¹³

The Hmong Minority. Many observers have argued that although societal discrimination likely persists, the LPDR government does not currently engage in systematic persecution of the Hmong minority. However, others have attested that the Lao government has committed atrocities against defiant Hmong communities living in remote mountain areas. During the Vietnam War, the United States Central Intelligence Agency (CIA) trained and armed an estimated 60,000 Hmong guerillas to fight the Vietcong. After the Lao communist government took power in 1975, Lao and Vietnamese troops crushed most of the Hmong army.¹⁴ The Lao government allegedly has carried out a 25-year war of attrition against remaining Hmong militias and their families, who number an estimated several thousand persons divided into about 20 groups. The LPDR has been accused of conducting military campaigns against Hmong hill tribes, starving them, and forcing them to surrender.¹⁵ LPDR officials claim that the government has begun a process of voluntary resettlement of former Hmong rebels. The

¹² Department of State, Bureau of Democracy, Human Rights, and Labor, *Country Reports on Human Rights Practices 2004 — Laos* (February 28, 2005).

¹³ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, *International Religious Freedom Report 2004 — Laos* (September 15, 2004); U.S. Commission on International Religious Freedom, *Annual Report 2004* (May 2005).

¹⁴ Jane Hamilton-Merritt, *Tragic Mountains: The Hmong, the Americans, and the Secret Wars for Laos, 1942-1992* (Bloomington: Indiana University Press, 1992). Hamilton-Merritt suggests that as many as 30,000 Hmong soldiers and civilians died as a result of their involvement in the Vietnam War.

¹⁵ Andrew Perrin, "Welcome to the Jungle," *Time Asia*, May 5, 2003; Amnesty International *Public Statement, No. 224*, September 13, 2004.

California-based Fact Finding Commission, which has attempted to gather information and publicize the plight of the Hmong, reported that the Lao government has blocked international assistance and human rights monitoring for those who have surrendered.¹⁶ Although U.S. officials in Laos have been unable to independently verify claims of severe human rights abuses, the lack of openness and cooperation by the LPDR regarding the Hmong has been a key stumbling block to better U.S.-Lao relations.

Between 1975 and 1998, nearly 130,000 Hmong refugees were admitted to the United States.¹⁷ In the 1990s, about 29,000 Hmong were repatriated from camps in Thailand to Laos. Some returning Hmong claimed that they faced discrimination or lack of economic opportunities, while United Nations human rights observers found that the former refugees were “successfully reintegrated.”¹⁸ An estimated 60,000 Hmong remain in Thailand; many have integrated into local Thai society. In January 2004, the Bush Administration announced that the approximately 15,000 Hmong living at the Wat Tham Krabok temple in central Thailand would be eligible to apply for resettlement in the United States. In May 2005, Thailand closed its last camp for Hmong refugees, and reportedly threatened to deport about 6,500 Hmong back to Laos.

Avian Flu

An outbreak of avian influenza (H5N1) in poultry was confirmed in Laos in early 2004, but as of October 2005, the LPDR has reported no cases in humans, according to the World Health Organization. Some experts argue that there is an urgent need for foreign health organizations to focus upon and assist Laos, given its proximity to other countries with the disease and weak government capacity. The central and local governments face severe limitations in collecting and disseminating information, monitoring avian populations, and conducting laboratory analysis to confirm cases of the virus. In addition, according to a U.S. government assessment team that visited Laos, the country’s health care system would be “quickly overwhelmed” in the event of a large-scale human outbreak.¹⁹ Laos is expected to receive a portion of the \$25 million that the U.S. Congress appropriated in May 2005 for the prevention and control of bird flu in Asia.²⁰

¹⁶ [<http://www.factfinding.org/mission.html>]; “Hill Tribe Surrenders to Laotian Government after Three Decades,” *The Vancouver Sun*, June 6, 2005.

¹⁷ According to some estimates, the U.S. Hmong -Lao population totals approximately 250,000 persons and constitutes slightly over half of the U.S. Laotian population.

¹⁸ Department of State, Bureau of Democracy, Human Rights, and Labor, “Country Reports on Human Rights Practices 2003 — Laos,” February 25, 2004.

¹⁹ “WHO Urges Laos to Prepare for Deadly Human Version of Bird Flu,” *Agence France Presse*, August 27, 2005; “U.S. Government Emergency Response to Avian Influenza: A Plan for Vietnam, Laos and Cambodia: Report from Country Planning Visits,” July 2005.

²⁰ Emergency Supplemental Appropriations Act, 2005 (P.L. 109-13).