

Economic Symposium on Laos

Development Strategies and Policies: Economic and Political Impact of Foreign Aid in the Lao People's Democratic Republic

AGENDA

March 26, 2005: Presentation Day (8:30 am – 5:00 pm)
Waterfront Activity Center, University of Washington
Seattle, Washington

March 27, 2005: Working Session Day (8:30 am – 5:00 pm)
Location to be announced on March 26

INTRODUCTION

The reinstatement of a market system in 1986, after having been suppressed for a decade, under “*Chintanakanmai*” has led to economic growth and increased income, although unevenly across regions and sectors. Despite substantial inflows of official aid and private foreign investment for almost two decades, as a result of the economic reform, the basic foundation of a self-sustaining economy and a progressive society is being neglected. While foreign aid brought an expansion of economic choices through increased purchasing power of mostly urban population, it did not lead to increased democratization, and civil rights remained severely limited. Education, communications, and the press and media are tightly controlled by the government, which suppressed conditions conducive to and supportive of economic, political, and social development. Without the free flow of information, market forces cannot function to efficiently allocate resources in production, consumption and trade. Today Laos remains one of the world's ten poorest and least developed countries, with more than two thirds of the population subsisting on income below \$2 a day. Compared with other SE Asian countries, Laos' illiteracy rate of 35.2 percent (2000) is the highest, and its healthy-life expectancy of 44.2 years (2001) is the lowest. Although absolute poverty has been reduced in the 1990s, the gap between the rich and the poor is widening. The economy has become increasingly aid-dependent, and natural resource exploitation is growing at a pace which could threaten long-term sustainability.

Expanded civil rights, effective economic policies, quality education and healthcare, effective legal protection, efficient natural resource exploitation and management, among others, are all important elements for sustained economic growth and social advancement. In light of this, the symposium takes a multidisciplinary approach to examine problems involving economic development in Laos. By gathering views and analyses of experts from various fields related to economic, political and social development, we hope to shed light on the chronic economic and social problems in Laos and their root causes that, in some areas, are not clearly understood and, in others, misinterpreted.

Panelists are practitioners and researchers in economics, education, engineering, health and law, including several social activists. Most of them are American citizens, many of whom have either worked on projects or visited Laos within the past several to less than ten years. Panelists

will each present a paper that reviews past policies and progresses, examines problems, and analyzes impacts of foreign aid with respect to their own area of expertise. Thus, the analyses are based on intellectually practical view points.

It is hoped that the findings and policy recommendations to be emerged from the Symposium will provide an objective and informed basis for the international aid and donor community for use in designing programs and decision making, and in evaluating the performance and impact of its assistance, as well as for overseas private investors in their decision-making process. In addition, it is hoped that this symposium will promote interest in and encourage more open debate about Laos by individuals of various backgrounds and interests, and set a momentum for our search towards eventually developing a comprehensive approach leading to a broad-based economic prosperity and democracy in Laos. Papers and analyses will be published and made available to the public.

TOPICS OF PAPERS BY PANELISTS

All papers to be presented at the symposium will, in addition to providing a review and analysis on progress (or lack of) and the associated problems, also examine foreign aid and how it affects changes and problems being examined.

Economics:

There will be three papers, which will review and examine economic growth and development patterns in three separated sub-periods since 1975: the collectivism (1975-85), the reinstatement of market mechanism under *Chintanakanmai* (1986-1995), and the reform retreat plus the SE Asian financial crisis and post-crisis phase (1996 to date). Some of the areas to be reviewed include structural changes in the economy; poverty; institutional development in financial, fiscal, education, healthcare, capital formation, human resource; natural resources; technology and role of international trade. Barriers to growth, foreign aid and its impacts on growth and development will be examined. This section will also present the social, political and environmental perspectives of integrated strategies for sustainable development. (Revised on December 15, 2004.)

Education:

Human capital is a critical ingredient of economic growth and social advancement. Laos' illiteracy rate of 35.2 (2000) is SE Asian countries' highest. Laos lacks the needed human capital to advance in this modern era. Education can be gained through institutional instructions and self-learning by reading and engaging in various activities (observing, attending seminars, conferences, etc.). Human capital can be gained not just from education and job experience, but also from experimentation and free play and thinking. Why has human capital in Laos continued to be low? What is the trend of human capital advancement in Laos? The education system, from elementary to university level, research institute, the media (newspaper, magazine, radio, TV), and books to read are all important elements of human capital building. Three panelists will examine problems associated with low level of human capital in Laos. Foreign aid and its impact on the education system and human capital development will be examined.

Health:

Low life expectancy, high mortality and morbidity rates, and high incidence of livestock losses due to seasonal outbreaks of contagious diseases are indications of poor health system. Poor sanitation at homes and in public areas with poor healthcare and disease control systems, together, contributes to a heavy burden on medical bills for most households in Laos. Often, household's savings were wiped out either through the loss of livestock due to contagious diseases, for rural households, or because of illness or an injury of a family member. An injury,

which could be a minor and temporary health problem, if properly treated once the injured has arrived at the medical center, often turned into a substantial and permanent damage because of poor management system. High health-related costs, direct and indirect, are one of the major factors hindering economic advancement in Laos. The panelist will present a paper that reviews and examines the healthcare system in Laos, factors contributing to poor healthcare, barriers and challenges faced in efforts, or lack of, to improve the healthcare system, and foreign aid in the healthcare system.

Natural Resource Exploitation and Management:

Sustainable development means exploitation of natural resources today must not compromise the future generations' means and capability to attain economic advancement. Certain resources are nonrenewable (e.g., precious metal and mineral deposits) and others are renewable (e.g., water, forestry), and both of which can be depleted by today's generation at the expense of the future generations. Natural resource exploitation in Laos is growing at a pace which could threaten long-term sustainability. A panelist will present a paper, which reviews and examines natural resource exploitation and management in Laos. The panelist will also examine whether foreign aid encouraged a more responsible exploitation of resources and allocation of benefits generated from such exploitation, and whether foreign aid and investment in or associated with natural resource exploitation and management as a whole have improved the economic sustainability of the country. Examples include the exploitation of timber, gold mining, hydro-electricity dam projects. Special attention will be given to the developmental and environmental ramifications of NAM THEUN II project.

Investment Laws:

There are a host of barriers and difficulties, which increase the cost of doing business in Laos. Investors' concerns over the uncertainty and effectiveness of enforcement, or lack of, are among the major factors that deter private investment with long-term business projections critical for long-term growth and sustainability. The government of Laos has enacted and amended many laws governing foreign investment and businesses in general. However, investors who have experienced and are currently operating in Laos faced many legal uncertainties due either to ineffective or lack of enforcement. The lack of *real* legal protection has turned away many potential investors who are interested in investing in the country. A panelist will present a paper examining the legal system of the country and highlighting critical issues involving business and investment law.

Civil Rights and Restrictions:

Political rights, such as the right to have free press, to express one's opinions, to choose political leaders, to choose what to learn and believe in, to be protected from repression and brutality, to have freedom of association, mobility and so forth are parts of what directly determine the quality of life in a modern society. They are also linked directly and indirectly to the economic wellbeing of individuals. The development and strengthening of social and political institutions that are capable of guaranteeing and protecting the rights of individual members in a civil society are critical and necessary elements of what are required for assuring economic and social advancement. Restrictions on the media, the press, and art and cultural activities hinder economic growth and social advancement both directly and indirectly. A panelist will present a paper, which reviews and examines issues on civil rights and restrictions, and whether foreign aid has directly and indirectly affected the political development in Laos towards expanding civil rights. An example on human trafficking will be examined, as it relates to economic situations in Laos and gender civil rights.