

Will granting NTR lead to democratization in Laos?

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Introduction

Proponents of the granting of Normal Trade Relation (NTR) to the communist Lao People's Democratic Republic (for convenience hereafter called Laos) argued that NTR would lead to economic growth, which would then induce democratization in the country. However, evidences based on the country's 18-year-long economic reforms history, which formally began in 1986, do not support this claim.

Evidences suggest that economic reforms and opening-up of the country took place due to circumstantial necessities, and it was an effort to preserve the communist system, rather than due to sincere willingness of the communist Lao People's Revolutionary Party (LPRP) to democratizing the country. Evidences also suggest that the LPRP's real intent is to strengthen the one-party controlled system, which has continually been directed by communist and corrupt officials, and not to build a democratic society, contradicting the claim made by the pro-NTR argument. As the majority of exportable goods in Laos are controlled by the state, associates and family members of high-ranking party officials, the granting of NTR will more likely generate unbalanced benefits in favor of the communist regime and hence strengthen its ability to sustain control of human freedom. Unless real fundamental changes occur, NTR will neither lead to socioeconomic advancement nor democratization. As oppose to the claim that NTR would lead to democratization, for a small, human capital-scarce country such as Laos, institutional reforms towards democracy and strong justice system are necessary for NTR to stimulate broad-based economic and social advancement.

Argument of the NTR proponents and its flaws

The pro-NTR argument is made based on recent experiences of some East and Southeast Asian countries (S. Korea, Taiwan, Thailand, the Philippines, Indonesia, and others), which saw rapid economic growth taking place simultaneously with growing democracy. Some experts have argued that democracy in these countries was driven by economic success, most notably in the 1990s. The argument on the causal relationship between democratization and economic growth is controversial. Nevertheless, the argument that similar events took place in the 1980s - 1990s in the East and Southeast Asian countries would repeat in the communist Laos were NTR leads to economic growth is based on false presumptions, due to two major flaws. These flaws are (1) fundamental inconsistency and (2) contradicting evidence.

On the fundamental inconsistency:

The pro-NTR argument ignores many fundamental make-ups in these Asian countries that are substantially different from those exist in the communist Laos. These fundamentals that led to economic growth and democratization in the successful Asian countries in the 1980s and 1990s include both social and economics: relatively free press, relative openness and tolerant to new and unfamiliar ideas and views, non-coercive economic and social policies used to stimulate activities. Although there were some coercive policies enforced in these countries at certain points in time, they were later abolished, though not all, to make room for economic growth and increased freedom to the people.

Economics and social fundamentals must go hand-in-hand in order for real development to take place and be sustainable. NTR has played a crucial role in the success in each of these Asian countries because economic and social fundamentals in each of theses respective countries, though not free from distortions and flaws, were "good enough," that they facilitated rather than

hampered market transactions. There were some fundamental flaws in the economic system (mainly in the banking system) and in political institutions (which allowed widespread corruption and vote buying) in Thailand, S. Korea and other Asian countries, which led to Asian economic crisis in the late nineties. But rapid institutional changes and adaptations took place in these countries to correct the flaws necessary for the recovery. Institutions in these Asian countries are not static. They are dynamic and evolving based on rationality consistent with the best interest of the people, although not in its pure form. Although institutions in these countries presently remain less than socially optimum and there are a number of areas that can be improved, the flexibility, openness, and political will instilled in the leaderships have allowed Thailand, S. Korea and other Asian countries to move up to the next level of development. Institutional flexibility and relative openness among leaders in these Asian countries allowed democracy to evolve and work towards shaping institutions to generate more economic and social benefits for the people.

NTR proponents argued that N. Koreans do not have means to call for democracy and freedom because they are poor and that the S. Koreans were empowered by economic growth and hence became a credible catalyst for changes. This line of reasoning ignores fundamental inconsistency between N. Korea and S. Korea. Fundamentally N. Korea is substantially different from S. Korea. Successful Asian countries have, although not what economists would say “right,” good-enough fundamentals, which serve to facilitate market transactions. N. Korea and Laos both have fundamentals designed based on a political philosophy that emphasizes control. Thus, economic and social fundamentals in Laos and in N. Korea hamper market transactions, which sustained poverty and hardship in these countries. The problem of N. Korea is endogenous (internally generated), not exogenous (externally imposed). It’s the same for Laos. So, more market channels provided by NTR alone will not help.

Laos has structural problem, which locks all other problems within it. Unless there are real structural reforms, spaces allowable for social and economic fundamentals adjustment will at best be extremely limited. Hence, economic and social problems will persist. Think of a house. The owner cannot do changes to the house more than the foundation can support. Some times the old structure has to be abolished and a new one built in order to fit new needs.

On contradicting evidence:

Lao government, foreign governments, and major international donors all reported that Laos has experienced relatively high growth since the early nineties. In the successful Asian countries, high growth and democratization occurred concomitantly in the 1980s and 1990s, and the dynamics continue to the present. Is there supporting evidence suggesting that economic growth lead to democratization in Laos? Will continued economic growth lead to democratization in Laos?

Historical facts not only do not support but are contradicting the existing pro-NTR argument. Evidences suggest that during high growth period the Lao government, rather than showing more openness, it tightened its control on the many activities of the Lao citizens, and thereby hampering the development of democracy and freedom. The existing Constitution, which is second to the LPRP, guarantees the political monopoly power of the ruling communist Lao People’s Revolutionary Party and its authority to define culture and other important aspects of human lives that impinge on democracy and freedom. Effective law enforcement of the regime has been in the areas of social control and the preservation of the political monopoly power of the ruling communist Lao People’s Revolutionary Party and its authority. Recent arrests of

Christian believers, the suppression and torture of pro-democracy advocates and students, the continued control of the domestic media, publications and distribution of intellectual products do not indicate that the Lao leadership is building a democratic society.

To understand the motives for reforms and the likelihood that NTR and continued economic growth will lead to democratization in the communist Laos, a brief review of historical facts is helpful. The highlights provided below are by no mean an exhaustive list of significant events that have occurred over the time period covered. They provide only some major events and incidents that are uncovered.

- ✚ Late 1970s: The LPRP's attempts to transform the country into a Marxist-Leninist type society, governed by a Central Planning committee, resulted in massive waves of exodus of the population that lasted until late in the 1980s. Food supplies dwindled across the country, and especially in urban areas. Supplies of other daily necessities were also disappearing.
- ✚ In 1980: In response to the crisis produced by its own Marxist policy enforcement, and especially to prevent further decline in its own food supplies, the LPRP allowed micro-scale private trade to re-emerge in order to induce production and food supplies in the urban centers. (Over a personal conversation, a member of one of the top-communist leaders' families recalled that even some of the party leaders' wives had quarrels over food rationing in the late 1970s.)
- ✚ In 1986: LPRP's most important and largest creditor, the former Soviet Union, was about to collapse and go bankrupt. How to survive in a world that only non-communist countries (Free World) have the money and excess resources? In order to attract aids from the Free World, Laos had to put on a make-up to look like it was going to democratize and "*for the people.*" Thus, the LPRP initiated economic reforms under the theme *Chintanakaan Mai*, which literally means *new imagination*. Some foreign experts intentionally incorrectly translated this to be *New Economic Mechanism*. *Chintanakaan Mai* is simply an imaginative policy of the Lao communist party to win assistances from the Free World. No new economic mechanism has ever been introduced under *Chintanakaan Mai*. It was simply a reinstatement of the market mechanism that was suppressed in order to implement the Marxist-Leninist policy.
- ✚ Late 1980s: As a result of *Chintanakaan Mai*, the LPRP had secured hundreds of millions of US dollars a year in real transfers and commitments in the form of grants and almost interest-free loans (commonly known as *soft loans*) from the Free World. Then, the living conditions of high-ranking party leaders have since substantially improved.
- ✚ In 1990: While the living quality of many of the communist leaders improved substantially, some high-ranking officials and others who proposed democratic political and economic reforms were arrested and jailed. (The actual arrests took place in 1988.) Among them include former Deputy Minister in charge of the economy, Mr. Ratsami Khampoui, and a former Judge, Mr. Peng Sackchittaphong. Mr. Khampoui and Mr. Sackchittaphong were announced by the Lao official to have been released in November 2004.
- ✚ Early 1990: When the economy was booming in the early 1990s, an about-one-year-old TV station that supposed to be non-government-run was ordered to quit reporting villagers' (in urban Vientiane) complaints about pot-holes, unsafe bridges and other non-

political, basic needs in the civil society in their neighborhoods. Soon after, the Thai managing and reporting teams were ordered to stop working and to leave the country, and to hand the station over to the government. Privatization programs of the unprofitable state-owned enterprises that were considered non-strategic came to a complete stop.

- ✚ In 1996: The economy was going at its best in the history of *Chintanakaan Mai* until, in 1996, when the three Ministers, who led the successful economic reforms program, were deposed from the Politburo (top office in a communist system) and hence effectively stripped their power. They were former Deputy Prime Minister in charge of the economy, Mr. Khampoui Keoboulapha, former Minister of Finance, Mr. Khamsay Souphanouvong (now lives in exile), and former Minister of Transport Post Communication and Construction, Mr. Phao Bounnaphon. A former army officer, Khamtanh Phousay, who converted to Christianity, was arrested and jailed.
- ✚ In 1999: In October, pro-democracy students, who attempted to organize a peaceful protest in Vientiane were arrested and jailed. There was no news report about the incident. Words-of-mouth that circulated in Vientiane were the only way people learnt about the incident, and the Lao government initially denied such incident ever occurred. Later, in June 2001, under pressure, it admitted to the members of the European Parliament that five students were arrested. They include Thongpaseuth Keuakoun, Khamphouvieng Sisa-ath, Seng-Aloun Phengphanh, Bouavanh Chanhmanivong and Keochay. For this, one died in jail from torture, and others remained in jail today.
- ✚ In 2001: President Khamtay Siphandone made a formal speech at the national assembly, which emphasized maximizing foreign aids inflows. Government officials put in charge of foreign aid projects were advised to do what is needed to secure aids without damaging Party's monopoly power. The Lao government mandates that all Lao women wear Lao traditional skirt (sin) at work and in government offices.
- ✚ In 2002: In the 2002 election, college and university students were forced (through administrative means—you won't pass if you don't vote) to vote for candidates who have already been pre-selected by party lines of authority, who never showed up on campus or anywhere to convince voters. The rest of the population were forced to vote through village administration which threaten those who do not vote with possible denial of passes and stamps villagers needed in order to conduct the many activities in their daily livelihoods. In Laos, only village heads, mostly, are the real choice of the people.
- ✚ In 2003 - Present: Even as late as 2004, Lao Christians were arrested and harassed by authorities in a number of provinces for their religious believes that are different from what the LPRP would approve. Inhumane government handling of the ethnic minority issues, evidenced by government-sponsored tortures and killings of certain ethnic minority groups, especially among the Hmong anti-LPRP government groups, continued until today and much of which are not reported. Innocent women and children are among the victims.

There are some ongoing projects that are encompassing minor reforms in the banking system, in administration, and several other areas, all of which are sponsored by either foreign governments or international donors. These projects make some people think that the LPRP is preparing for a more democratic and accountable governance. It's a devise the LPRP uses to sustain foreign cash-assistances until it can make enough

money from exporting hydropower electricity, gold, and other sources of income. It's a means through which the LPRP uses to buy time from the international community and the Lao people. These projects create hopes among donors and Lao citizens and, thus, are defusing pressures that would arise from the donor community and the Lao citizens who have been suffering from the LPRP's denial of their opportunity to engage in activities that leads to personal developments (intellectually, economically, and emotionally) and increased freedom, dignity and self-worth.

Institutional flexibility, openness, and participatory democracy are necessary

Institutional flexibility and openness are necessary for sustained economic growth and social advancement for all countries, small or large, less developed or more developed. Technology, relative resource scarcity, and society's needs are constantly changing due to both internal forces (e.g., population changes) and external dynamics (e.g., technological progress and emergence of new products and services in progressive economies). Thus, the ability to adjust to meet new demands and to take the advantage of new technologies, both soft and hard technologies, and resources are critical for sustained economic growth and social advancement. Without participatory democracy, institutional adjustment can still take place, but, in most historical cases, after a period of stagnation and a crisis has taken place. With the absence of participatory democracy, institutional adjustment is more likely to be inconsistent with society's new demands and needs.

Institutional flexibility, openness, and increased democracy, individual freedoms and civil society participation in public policy making are some of the key ingredients that have produced successes in the successful Asian countries, as well as other successful countries around the world.

Although NTR may lead to increased national output simply because of increased foreign investment and aid, economic advancement that benefits the general population and social progress requires more than simply increased national output and export values. NTR itself will not lead to democracy in Laos. However, NTR with democracy will lead to economic progress and social advancement.