



Is Democratic People's republic of Laos an eternal friend of Vietnam facing rising China and its regional influence?

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Abstract

As determined by Vietnamese and Laotian officials, the relationship between the two countries is a special relationship, rare in the world. This special relationship Vietnam-Laos is not manifested by the superficial slogan, but it has a substantial political influence. The special relationship between Vietnam and Laos originates from the relationship between the Viet Minh and the Pathet during the First Indochina War. During the Vietnam War, due to the United States' raging bombings, Northern Vietnam had to open a helpline for the South through the territory of its neighbors, in which Laos was the starting point of the road. This is a very strategically important position. Northern Vietnam has strengthened its friendship and influence with the Lao People's Revolutionary Party. This is also a decisive factor in the victory of the Lao revolution.

Keywords: Eternal friend, economic growth, FDI, globalization

1. Introduction

Globalization reflects an ongoing process of great interdependence among countries and their citizens (Fischer, 2003). There are four main driving forces behind the increased interdependence: trade and investment liberalization, technological innovation and the reduction of communication costs, entrepreneurship, and global social networks. Globalization is described as the growing economic interdependencies of countries worldwide through the increasing volume and variety of cross-border transaction in goods and service and international capital flows, as well as through the rapid and widespread diffusion of technology and information. As a multidimensional concept, globalization expresses the extension process of economic, political and social activities across national borders.

Today, there are two main views on globalization, one given by anti-globalists and the other by supporters of globalization. The main characteristics of globalization are the greater trade in goods and services both between nations and within regions. Many of the industrializing countries are winning a rising share of the world trade and their economies are growing faster than the richer but more developed nations, especially after the global financial crisis in 2008. Another important characteristic of globalization is the increasing transfers of capital, including the expansion of foreign direct investment by transnational companies and the rising influence of sovereign wealth funds. Foreign direct investment will help developing nations to industrialize, create jobs, bring business opportunities, and acquire manufacturing and management skills. Western countries and organizations throughout the years have increased their commitments in developing countries due to this is also beneficial for them. One reason is due to the large quantity of resources found in these parts of the world. Many developing countries have not been able to profit from globalization and are still facing the same problems

they have been facing for many decades. Accordingly, the globalization is viewed as mutual beneficial process. It is presumed the only true way to beat poverty. They argue that the outcome of the globalization could be either a success or a failure depending on its management (Stiglitz, 2002) [6]. The success is based on exports, closing technological, capital and knowledge gaps. However, the failure is when globalization is managed by international economic institutions. Stiglitz argued that the problem is not with globalization but with how it is managed by international institutions that set the rules of the game.

Following the globalization trend, Vietnam has made considerable efforts for economic integration with the world since the late 1980s. Vietnam joined ASEAN, APEC, and ASEM in 1995, 1998, and 2001 respectively. The country continues to move toward greater international economic integration, through more opening up in trading with China, expanding bilateral links with the US, accessing the WTO in 2007, and signing the TPP in 2015 (CP TPP in 2018). In addition to a more open trade policy, Vietnam has improved the investment environment to attract foreign direct investment in Vietnam as trade and foreign investments are the two strongest linkages to the global economy. In more than 20 years, Vietnam has made a number of convincing economic achievements. The average annual economic growth rate was 6.5 percent over the period 1995 – 2016. In 1995, Vietnam's GDP per capita of US\$ 288 placed it among the poorest countries in the world. In 2008, a GDP per capita of US\$ 1164 gave Vietnam a middle-income country's status as by the World Bank classification. In the year 2016, GDP per capita rise and economic growth in Vietnam has been accompanied by trade liberalization reforms that have led to an explosion in international trade. Export as a share of GDP grew from 32.81 percent in 1995 to 93.62 percent in 2016, while import grew from 41.91 percent to 91.06 percent over the same period. The remarkable gain is a reach of GDP per capita to the level of

US\$ 2185 in recent years.

2. History of Laotian – Vietnamese Friendly Relationship Development

Vietnam-Laos ties have blossomed over the years, with Vietnam emerging as the second largest investor in the neighboring state, after China, another major ally of Laos. In 2009, Vietnamese companies invested US\$ 1.4 billion in Laos while Chinese investments totaled US\$ 932 million. Through many years, Vietnam's relationships with Laos did not differ substantially from their historic patterns. Contemporary Vietnamese approach and attitude reflected the conviction of cultural and political superiority that had prevailed during the nineteenth century when weaker monarchs in Laos had paid tribute to the Vietnamese court in a system modeled on Vietnam's own relationship to China. The communist victory in Vietnam in 1975 was accompanied by similar communist successes in Laos and Cambodia. The impression of the noncommunist world at this time was that the three Indochinese communist parties were seizing control in their respective countries and logically worked together, through the fraternal bond of a single ideology, to achieve common objectives. In contrast to its relationship with Cambodia, Vietnam's relations with the communist Laos have been fairly stable. Historically, the Laotian ethnic tribes had been less resistant to Vietnamese dominance, and the relations had never reached the level of animosity characteristic for the Vietnam-Cambodia relationship.

Although Hanoi was a signatory to the Geneva Agreement in 1962 that upheld the neutrality of Laos, it failed to observe the agreement in practice. During the Second Indochina War, for example, the North Vietnamese government in cooperation with the Laotian People's Revolutionary Party (Pathet Lao, LPRP) had constructed and maintained the Ho Chi Minh Trail, an unauthorized road communications network that passed through the length of Laos. Thousands of Vietnamese troops were stationed in Laos to maintain the road network and provide for its security. Vietnamese military personnel also fought beside the Pathet Lao in its struggle to overthrow Laos' neutralist government. Relations with Vietnam had secretly set the strategy for the Laos People's Democratic Republic (LPDR) during the struggle to achieve full power, and the sudden opportunity to establish the LPDR in 1975 left no leeway to consider foreign policy alignments other than a continuation of the special relations with Vietnam. The relationship that was cultivated in the revolutionary stage predisposed Laos to Indochinese solidarity in the socialist reconstruction phases while relations and alignments with China and Thailand would be wary and potentially unfriendly. The final seizure of power by the hitherto secret LPRP in 1975 brought both a public acknowledgment of the previously hidden North Vietnamese guidance for LPRP and genuine expressions of gratitude by the LPRP to its Vietnamese partners. The challenge facing the ruling group for the construction of a socialist society was seen as a natural extension of the past collaboration with Northern Vietnam. The revolution was simply entering a new phase in 1975, and the LPRP leaders congratulated themselves upon ousting the imperialists and looked forward to advice and economic as well as military support, which was not available from any neighbor or counter-revolutionary state. LPRP leaders were accustomed to discussing policies as

well as studying doctrine in Hanoi. They formalized governmental contacts with their mentors at biannual meetings of the foreign ministers of Cambodia, Laos, and Vietnam starting in 1980 and through the joint Vietnam-Laos Cooperative Commission which met annually to review the progress of various projects. Other levels of cooperation between Laos and Vietnam existed, for example, party-to-party meetings and province-to-province exchanges, as well as mass organizations for youths and women, meetings of the commissions were held regularly [4].

The primary channels for Vietnam's influence in Laos, however, were the LPRP and the LPA (Laos People Army). In the LPRP, long-standing collaboration and consultation at the very top made special committees unnecessary, whereas in the LPA, the Vietnamese advisers, instructors, and troops on station constituted a pervasive, inescapable influence, even though they scrupulously avoided public exposure by sticking to their designated base areas. Cooperation in the military field was probably the most extensive, with logistics, training, and communications largely supplied by Vietnam throughout the 1970s and 1980s while heavy ordnance and aircraft were provided by the Soviet Union.

The phrase of special relations came into being by both parties after 1976, and in July 1977, the signing of the twenty five year Lao-Vietnamese Treaty of Friendship and Cooperation legitimized the stationing of Vietnamese army troops in Laos for its protection against hostile or counterrevolutionary neighbors. Another element of cooperation involved hundreds of Vietnamese advisers who mentored their Laotian counterparts in virtually all the ministries in Vientiane. Hundreds of LPRP officials, technicians and managers have studied in institutes of Marxism-Leninism or technical schools in Hanoi.

Cooperation persisted after the war and the Lao communist victory. In 1976, agreements on cooperation in cultural, economic, scientific, and technical fields were signed between the two countries, followed in 1977 by a twenty-five-year Treaty of Friendship and Cooperation. The treaty was intended to strengthen ties as well as sanction Vietnam's military presence in, and military assistance to Laos. Following Vietnam's invasion of Cambodia, Laos established links with the Vietnamese-supported PRK (People's Republic of Khmer) in Phnom Penh. Meanwhile, Hanoi maintained 40,000 to 60,000 troops in Laos. In 1985 the three governments discussed coordinating their 1986-90 five-year plans, and Vietnam assumed a larger role in developing Lao natural resources by agreeing to joint exploitation of Laotian forests and iron ore deposits. Nevertheless, such growth in cooperation prompted some debate on the Lao side over the country's growing dependence on Vietnam.

The resources that Vietnam was able to bestow upon its revolutionary partner, however, were severely limited by the physical destruction of war and the deadening orthodoxy of its economic structures and policies. Yet, Vietnam's influence on Laos was determined by economic assistance and ideology as well as by geographical and historical proximity. The two nations fit together, as the leaders liked to say, like lips and teeth. Vietnam provided landlocked Laos a route to the sea, and the mountainous region of eastern Laos provided Vietnam a forward strategic position for challenging Thai hegemony in the Mekong Delta.

For all the hypes about the special relationship, the Lao-

Vietnamese ties are a marriage of convenience, not love. Politics forms its base, not economics or culture. The Lao are anxious to promote trade and investment from Vietnam, but after more than thirty years, the economic links between the two are still frail. Officially, Vietnam is Laos' fourth-largest investor, but in reality there is little to show for it, except a handful of factories of questionable profitability and a new hydropower project, the 250MW Sekaman 3, now under construction in the remote Sekong province. On the street level, the Vietnamese are not popular in Laos; many Laotian people blame the rising crime problem on Vietnamese immigrants, an unknown number of whom are here illegally. It is widely believed that the Laotian leadership gives the Vietnamese special treatment over even the native Laotians, and that the Vietnamese are pulling the strings on the government, privately rankling even Lao officials who publicly extol their Vietnamese brothers.

3. The Impact of Rising China on Present Laotian – Vietnamese Relationship

Not even the Laotian government knows the exact number of Chinese workers present in the country despite it want to Laotian enterprises to use local labor force as much as possible. The country is trying to increase its influence in Asia and Southeast Asia in particular, in order to make the region a safe haven. As a southern neighbor of China, Laos is playing an important role in China's southward development strategy. In the process of increasing the influence of China, Laos is seen as a bridge between this country and mainland ASEAN. As Laos entered the process of globalization, China became one of its most influential factors. This one-way relationship study gives us a fuller view of China's increasing strategic and competitive influence in the ASEAN region. In addition, Laos and China are the two neighbors that have very close historical ties with Vietnam. The study of these two countries in general and China's relationship with Laos in particular is intended to address a number of important academic issues, helping the Party and the Government to adopt foreign policies in line with the current complex situation. Although there are a number of published studies, there is a lack of in-depth, comprehensive and systematic research that clarifies the nature and tendency of China's relations with Laos, as well as the concrete impacts on Vietnam on many specific aspects. Particularly, in this context we need to learn about global issues, regional and international relations, and especially, the state and development trends of the nations around us. The study of the impact of this mutual relationship on the two countries themselves, and on Vietnam as well, will allow us to assess the prospect of China's relationship with Laos in the coming time and provide some scientific evidence for Vietnam's foreign policy planning with its two important neighboring countries^[3].

In recent years, the increase of China's influence on Laos has intensified. However, the research conducted in this country is relatively modest. For example, Truong Duy Hoa (2012) has published a work entitled "Some Problems of Political-Economic Trends in Lao People's Democratic Republic during the First Two Decades of the 21st Century". In addition to the author's presentation on the political and economic situation of Laos in the first two decades of the 21st century, the author also mentioned the increase in relations between China and Laos in terms of

socio-economic, culture and politics, foreign affairs, security and defense. Mostly, the author has explored material sources from Laos and they are considered as one of the important contributions of this study. At the same time, Truong Duy Hoa (2012), in his article entitled "The position of Lao PDR in the current strategic competition in Southeast Asia among large countries" also mentions Lao's position in China's strategic competition with local ASEAN nations. Another author, Nguyen Van Huy also published two works entitled "Some Problems of Chinese in Socio-Cultural Life in Laos" and "The Impact of Sino-Lao Relations on Economic Activity". In these two works, in addition to analyzing the development of the Chinese community in Laos, the author analyzes the role of the Chinese community in Laos. It is like a channel for China to increase its presence in Laos.

Chinese companies have taken the lead on construction of high-speed railways in Laos. The latter evokes images of the two nations working hand in hand, yet such collaboration is not evident at the site. China has increased its aid and investment in Laos and Cambodia. Beijing's assistance to Phnom Penh was said to have come two years ago after Cambodia did not hesitate to follow the Chinese view and oppose Vietnam and the Philippines in the South China Sea. China's investments in Laos are rarely mentioned, though. By the end of 2013, China overtook Vietnam as the number one investor in Laos. The total value of China's investment in Laos by the end of 2013 reached \$ 5.1 billion, surpassing Vietnam as a so far biggest investor in Laos. By mid-2013, Vietnam is still the top investor in Laos with about \$ 5 billion, followed by Thailand with \$ 4.8 billion and China with only \$ 3 billion. The fact that China has overtaken Vietnam as the largest investor in Laos, it is not surprising given that over the past 10 years, Beijing has been relentlessly attempting to use its economic power to trick the Southeast Asia countries in general, and Laos and Cambodia in particular. In recent study of relations between China and Laos and Cambodia carried out by the Korea Institute for National Unity in Seoul, Professor Carlyle Thayer, senior expert on Asia at the National Defense College Australia highlighted a number of key reasons for boosting Beijing's economic and political investment in these two Southeast Asian countries. China does so primarily for economic reasons. They seek the access to agricultural products and natural resources that are essential for their fast-growing economy and seek to develop a market for their goods and services. Most of China's development and investment aid is in the field of transportation infrastructure, energy and mining industries in both Laos and Cambodia. On the other hand, China also wants to integrate Yunnan (the most Southern Chinese province) into Southeast Asia, so Beijing's investment and aid is also focused on building a transportation network from southern China to Southeast Asia. Initial estimates indicated that building the railway would require 100,000 workers. For Laos, which lacks much notable industry, aside from exporting hydroelectric power and mining such resources as copper and bauxite, this seemed like a golden opportunity to spur new economic activity and create jobs. But these hopes have been dashed. All of the construction work was handed off to China Railway Group, and Chinese engineers and laborers have descended on the country in droves^[3].

3. Laotian – Vietnamese Friendly Relationship Challenged or Threatened?

In addition to economic interests, according to Carlyle Thayer, Beijing is also politically motivated. China is seeking to develop friendly relations with Laos and Cambodia to attract support for a number of important policies in Beijing. For example, all the long-term bilateral cooperation agreements that China signed with ASEAN members in the years 1999-2000 contained provisions related to the One China policy. ASEAN plays an important role in China's foreign policy. That factor has heightened the importance of Laos and Cambodia in a multilateral framework. China's interests are to have good relations with Laos and Cambodia (and with all other ASEAN members) in order to bridge the political and economic influence of China. In 2012, when Cambodia became president of ASEAN, China used its influence over the Phnom Penh administration to influence the discussion on the South China Sea in ASEAN. Cambodia has been rewarded for its cooperation. For Professor Carlyle Thayer, despite being very good relationship with China for economic interests, Laos and Cambodia are still trying to maintain their independence and self-reliance. In this area, Laos seems to be more successful than Cambodia due to the strong economic presence of Thailand and Vietnam. Cambodia is more troubled because its relations with Thailand are negatively impacted by border disputes, while the relationship with Vietnam is a controversial political issue in the country. The government of Hun Sen's Cambodian People's Party has failed to pursue a balanced policy that has been dependent on China ^[2].

China's growing influence in its two neighboring West and South-West Vietnam is a threat to Vietnam's security? Professor Carlyle Thayer said that in the field of pure security, that trend is not a threat to Vietnam. China's bilateral relations with Cambodia and Laos do not pose a direct security threat to Vietnam today, and in the future, the situation is likely to be the same. China is also the largest developer of infrastructure in Cambodia with a value of more than \$ 2.1 billion. But according to the media, the increased relationship between China and Cambodia and Laos is a threat to Vietnam's security. Both Cambodia and Laos seek to guarantee their own freedom of action. The relationship between Cambodia and Laos with China, to some extent, will also be regulated through common policy of ASEAN. China seeks economic benefits in Cambodia and Laos. In Laos alone, China has to compete with Thailand and Vietnam. Beijing also hopes that no country will come up with an unfriendly foreign policy against China's interests. So far, there is no evidence that Beijing has put pressure on Phnom Penh or Vientiane to choose between Beijing and Hanoi. China's military ties with Cambodia and Laos are limited, thus not creating a threat to Vietnam. Chinese military officers are present in both Cambodia and Laos to manage defense cooperation programs. Their numbers are not large, so there is nothing ominous for Vietnam. In fact, Vietnam has a relatively strong defense relationship with both Laos and Cambodia in the field of officer training. Laos holds a special position in security relations with China because the two sides share a common border and face transnational threats. However, this is also the situation between Laos and Vietnam ^[1].

With the tradition of the nation, Vietnam always restrains and advocates resolving the issue of sovereignty in the

South China Sea by peaceful means, propaganda as well as the right behavior of Vietnam in this matter. China propagates the sea and islands on the basis of high consistency, strong discipline, large forces, close supervision, thus achieving the effectiveness of government work and intentions. Vietnam is also lacking in knowledge of marine life and skills in the propagation of marine life; The content of propaganda is poor, duplicated and sketchy, lacking messages to convey the great idea of the island in propaganda. Additionally, the propaganda is not carried out regularly. Especially, there are too many forces to be funded for island propaganda but there are many propaganda publications that are duplicated of limited quality. Also related to the propaganda, historical events related to China (in 1974, China occupied Paracel of Vietnam; in 1979, China invaded Vietnam; In 1988, China seized the island of Spratly archipelago of Vietnam) should be taken into the textbook for teaching students as subjects of secondary education, professional colleges and universities. Currently, in addition to dispatching ships to operate in the South China Sea, Spratlys and Paracels (military vessels, semi-military, fishing vessels, disguised fishing vessels, explorers exploit..), China invested \$ 1.6 billion to illegally build in the Paracels a center for tourism, gambling, seafood processing. China is uncompromising in defending its unreasonable claim to beef tongue space, occupying 80% of the South China Sea, violating the sovereignty of countries in the South China Sea, especially the rights of Vietnam in the areas of Paracel and Spratly Islands. China is increasingly acting in violation of Vietnam's sovereignty, making the situation in the South China Sea more serious and addressing the island's sovereignty disputes in this area more and more complex. With the national tradition, Vietnam always restrained from provocation, always advocates to resolve the issue of sovereignty in the South China Sea by peaceful means, including the international arbitration court. Vietnam as well as other ASEAN countries together with China will soon develop and implement the Code of Conduct for Parties in the South China Sea (COC), while continuing to respect the DOC and the United Nations Convention on the Law of the Sea 1982 ^[1].

5. Conclusions

Vietnam and Laos officially established their diplomatic relationship on 5th September 1962. The foundation of today's traditional friendship and the special solidarity and comprehensive cooperation between the two countries was laid by President Ho Chi Minh, President Kaysone Phomvihane and President Suphanouvong, and nurtured by generations of leaders of the Parties, States and the two nations. They have been increasingly strengthened and developed over nearly a century, bringing peace, independence and happy and comfortable life to the people of the two countries. Comprehensive cooperation has brought many positive results to both countries It has contributed greatly to their cause of national protection and the laying of the initial foundation for the socialist-oriented market economy, continuously improved the people's living standards, enabled Vietnam to be listed among the countries with middle per capita income in the world, and helped Laos soon move out from the group of underdeveloped countries; both countries have been intensified their regional and international integration, gradually raising their standing on

the international arena. In the context of the achievements made in the implementation of the renewal process and quickly changing situations in the region and the world, the relation between Vietnam and Laos faces the objective requirements to be renewed in terms of both the content and method as well as both the mode and mechanism of cooperation, in the direction towards raising its overall efficiency and ensuring mutual benefits on the basis of mutual respect for each other's independence, sovereignty and territorial integrity.

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