

# Laos in limbo heading into 2023

EAF [eastasiaforum.org/2023/01/28/laos-in-limbo-heading-into-2023/](https://eastasiaforum.org/2023/01/28/laos-in-limbo-heading-into-2023/)

January 28, 2023

Author: Kearnin Sims, James Cook University

Laos experienced compounding social and economic pressures in 2022. The headline news story of the year was the country's dire external debt. 2022 was also significant as it marked the 10th anniversary of the enforced disappearance of Sombath Somphone — a community development worker who provided successful alternatives to the econocentric development agenda that underpins Laos's debt crisis.



At 2.5 per cent, the annual economic growth rate was the second lowest since 1988 and below initial forecasts. Rising public and publicly guaranteed debt are projected to exceed 100 per cent of GDP by the end of the year. This is accompanied by a sharp depreciation of the national currency, the kip, and rising inflation — up from below 2 per cent in 2021 to 37 per cent in October 2022.

At the macroeconomic level, Laos needs to find a solution to its ballooning debt.

China's decisions will be critical, as it holds half of Laos' debt. Yet there are rumours of quiet confidence within parts of the Lao government that China will provide a means to avoid default. China–Laos relations continued to strengthen in 2022, with Lao President Thongloun Sisoulith visiting Beijing in December to sign a swathe of new bilateral agreements and reaffirm the two countries' 'shared future'.

Passenger travel also started along the China–Laos high-speed railway. While protracted COVID-19 lockdowns limited transborder transit in China, the railway is enormously popular for domestic travel in Laos, with tickets selling out days in advance — despite being difficult to access. Domestic travel will not make the project financially viable — connectivity with China and Thailand is needed for this to occur — but the railway has offered some excitement in an otherwise troubled year.

Laos will seek to balance its increasing engagement with China alongside commitments to other key bilateral partners. Central to this balancing act is Vietnam, with 2022 marking the 60th anniversary of Laos–Vietnam diplomatic ties and the 45th year of the Vietnam–Laos Treaty of Amity and Cooperation. Dubbed the Vietnam–Laos Solidarity and Friendship Year, 2022 saw a US\$132 million commitment from the World Bank to fund the upgrading of the Lao National Road 2, which serves as the primary East–West economic corridor linking Thailand, Laos and Vietnam.

The effects of macroeconomic challenges have trickled down to negatively impact on the daily lives of citizens through rising cost of living expenses, fuel shortages and constrained household spending on health and education. Crime rates also increased, although the main cause for this appears to be a growth in methamphetamine circulation. This is connected to transnational organised crime networks that are intimately linked to the Golden Triangle Special Economic Zone (GTSEZ).

In 2022, around 400 drug smugglers were arrested in Bokeo province — home of the GTSEZ — with seizures amounting to 23 million methamphetamine pills, 866 kilograms of crystal ice and 60 kilograms of heroin. Debt bondage and human trafficking also occurred within the zone, with nationals from India, Pakistan, Malaysia, Kenya and Burundi all rescued from trafficking syndicates across Laos.

Yet, bizarrely, in October, the Lao government awarded the reputed ‘Chairman’ of GTSEZ, Zhao Wei, a Medal of Bravery for his contribution to national defence and national public security.

In the political sphere, Laos continues to rank poorly on international freedom and transparency indexes. There were shifts in senior party positions following the expansion of economic woes and calls for greener growth. This year saw the death of the last Mekong River dolphins in Laos. There are ongoing concerns related to the impact of Mekong Mainstream dams on vulnerable and endangered species.

There are also calls for more job creation. The United Nations Development Programme’s 6th National Human Development Report, released in November 2022, focuses on ‘what investments should be made to leverage contributions of youths to the national socio-economic development, provide opportunities and support for empowered lives’.

This call for youth empowerment carries forward the ideas of Sombath Somphone, who dedicated much of his life to empowering young people and whose work was internationally recognised as bringing many benefits to disadvantaged communities. Laos did not progress investigations into his enforced disappearance. The problem is that Sombath’s successes posed a threat to elite exploitation and the extractivist development model that has served elite wealth accumulation so well.

Since Sombath’s disappearance in 2012, there have been more suspected enforced disappearances, including four Thai political activists, four members of the Hmong ethnic minority group as well as Lao national Od Sayavong in Thailand in 2019. Violence against Christians also continued, including the reported murder of a pastor.

As 2022 draws to a close, there is much uncertainty as to what comes next for Laos.

The economic challenges faced by Laos do not indicate that the current growth-centric, extractivist and debt-inducing model of development will significantly change. Next year will likely bring continued hardship for many who lost their jobs over the past two years and are facing increasing living costs.

If there is ever a time to rethink development priorities in Laos, it is with the coming together of a national economic crisis and the 10-year anniversary of Sombath Somphone's disappearance.

*Kearrin Sims is a research fellow of the Cairns Institute and a lecturer of development studies at James Cook University, Cairns.*

*This article is part of an EAJ special feature series on 2022 in review and the year ahead.*