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Laos: Background and U.S. Relations

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Summary

Until November 2004, when Congress passed legislation extending nondiscriminatory treatment to the products of Laos, the Southeast Asian nation remained one of the few countries with which the United States did not have normal trade relations (NTR). The debate in Congress over whether to grant NTR status to Laos was long influenced by the legacy of U.S. military involvement in Laos during the Vietnam War and by allegations of serious human rights abuses in the country, particularly against the Hmong ethnic minority. Despite strained bilateral relations, the United States and Laos have cooperated in important areas, including recovering remains of Americans missing in action (MIAs) and counter-narcotics efforts. On November 19, 2004, Congress passed the Miscellaneous Trade and Technical Corrections Act of 2004 (H.R. 1047), which granted normal trade relations treatment to Laos.

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. In 2004, Laos, one of the poorest countries in Asia, 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...)"

Although there are no formal restrictions or sanctions, the amount of U.S. foreign assistance to Laos remains relatively small and mostly channeled through non-governmental organizations. U.S. foreign assistance programs include joint efforts to account for Americans missing in action and remove unexploded ordnance from the Vietnam War; counter-narcotics;³ anti-trafficking in persons; HIV/AIDS prevention; and the development of the silk sector. Total U.S. assistance to Laos in FY2004 is estimated to be \$3.5 million, plus an additional \$500,000 in Leahy War Victims Funds for landmine education.

Laos in Brief

Chief of State: President Gen. KHAMTAI Siphandon
Population: 5.7 million
Per Capita Income: \$310 or \$1,700 (purchasing power parity)
Life Expectancy: 54 years
Literacy: 53%
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*

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. The LPRP contains factions, but the Party appears to be united against fundamental political change or democratization. The main factions in the LPRP represent economic reformers, economic conservatives, the military, regional and provincial interests, pro-China and pro-Vietnam leanings, and younger and older cohorts. Some LPRP leaders reportedly view China as a model for economic reform. China engages in cooperative economic projects with Laos and provides technical and economic assistance (including a grant of \$3.6 million for a rubber plantation and a low interest loan worth \$24 million in 2004). Vietnam's influence remains strong, however, particularly in political and military affairs.⁴

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

² (...continued)

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

³ Laos is the world's third-largest producer of opium.

⁴ *Xinhua News Agency*, March 18, 2004. According to some analysts, China and Vietnam have competed for influence in both Laos and Cambodia: Yves Bourdet, "Laos in 2001," *Asian Survey* (vol. 42, no. 1), January/February 2002; "In Laos, a Shift in Government," *Stratfor (Strategic Forecasting)*, March 30, 2001.

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.

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 \$310, Laos ranks 135th 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.⁵ In addition, Laos continues to cope with the damage and unexploded ordnance from U.S. bombing raids during the Vietnam War.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. Between 1988 and 1996, the country's economy grew by 7% per year. It began to falter in 1997 due to effects of the Asian financial crisis, a drop in exports to Thailand, and adverse economic policies such as the re-imposition of central controls. The economy began to stabilize in 2000. Laos's GDP grew by 5.9% in 2002-03 and is expected to grow by 6% in 2004-05.⁷

The LPDR joined the Association of Southeast Asian Nations (ASEAN) in 1997 and has lowered tariffs toward member nations. Between 1998 and 2001, the value of Laos's exports to the European Union, which grants Laos and other least developed countries preferential tariff treatment, increased from \$100 million to \$110 million. By contrast, its exports to the United States fell from \$21 million to \$3.9 million during the same period. In 2003, Laos exported \$4 million worth of goods to the United States, up from \$2.4 million in 2002 — mostly apparel, wood products, and coffee.⁸ In 2003, Laos imported \$4.6 million worth of merchandise from the United States. With the help of foreign investment, the LPDR has built several large dams since the late 1990s and has

⁵ Bertil Lintner, "Stalled Reforms," *Far Eastern Economic Review*, November 7, 2002.

⁶ 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" remain scattered across the country, killing approximately 200 Laotians per year. Since 1973, 5,700 Laotians have been killed and 5,600 injured by unexploded ordnance. 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.

⁷ Asian Development Bank; The Economist Intelligence Unit, "Country Report — Laos," August 2004.

⁸ United States International Trade Commission.

begun exporting electricity to Thailand and Vietnam. The sale of hydroelectric power makes up nearly one-third of the country's exports, followed closely by garments. Experts estimate that it will take two years for Laos to make the required legal, financial, budgetary and other trade-related reforms to join the World Trade Organization.⁹

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.¹⁰ 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.¹¹ In addition to hundreds of short- and long-term political detainees, there were nine known political prisoners in 2003. According to former prisoners, extremely harsh conditions and the use of torture in Laotian jails are common.¹²

Religious Freedom. The State Department has characterized Laos as a "totalitarian or authoritarian regime" for six consecutive years (1999-2004) although it has never designated Laos as a "country of particular concern" (CPC). The United States Commission on International Religious Freedom (USCIRF) recommended that Laos be placed on the CPC list for four consecutive years (2000-2003), mostly for persecution of the Christian minority. In 2004, the Commission placed Laos on a "watch list" but did not recommend that the country be designated as a CPC, citing the release of religious prisoners, the reduction in forced renunciations of faith, and the re-opening of many churches that the government had closed. In February 2004, the Lao government and the U.S. Embassy in Laos jointly conducted a seminar on religious freedom issues. Although religious organizations that are not officially approved by the state are illegal and the government has blocked registration of new denominations, the Lao government appears to tolerate some independent religious activity.

Because human rights in Laos lack legal protections, some violations of religious freedom continue at the local level, including arrests and short-term detentions of leaders of Christian congregations. As of September 2004, there were two known religious prisoners. In some rural areas, government officials have suppressed Christian activities for allegedly having foreign influences, disrupting local customs and practices, competing

⁹ "Laos Economy: The Government Prepares for Planned WTO Entry," *Economist Intelligence Unit — Viewswire*, March 8, 2004.

¹⁰ 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.

¹¹ In December 2000, the LPDR signed the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights. Laos has not yet ratified the covenants.

¹² Department of State, Bureau of Democracy, Human Rights, and Labor, "Country Reports on Human Rights Practices 2003 — Laos," February 25, 2004.

for village resources, or challenging local authority. A new religious decree, promulgated by the Lao government in July 2002, reportedly has curbed some human rights abuses, but also reaffirmed the government's control over religious practice. Article 9 of the law, which discourages acts that "create divisions among religions and persons," has often been invoked to justify government restrictions on religious activities.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 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. The Lao government allegedly has carried out a 25-year war of attrition to eliminate remaining Hmong militias and their communities, who may total from one thousand to several thousand persons. Several of an estimated 20 rebel groups and their families are said to be surrounded by LPDR troops and facing starvation.¹⁴ This continuing conflict has been a key stumbling block to better U.S.-LPDR relations. U.S. officials in Laos have been unable to independently verify claims of Lao People's Army or Vietnamese troop movements in mountain areas, mass killings, or the use of biological weapons against the Hmong. Monitoring is difficult, however, because many highland villages are accessible only by helicopter and travel is restricted by the central government.

Between 1975 and 1998, nearly 130,000 Hmong refugees were admitted to the United States.¹⁵ 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."¹⁶ An estimated 60,000 Hmong remain in Thailand; many have integrated into local 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. Most have arrived in Minnesota, Wisconsin, and California, homes to large Hmong-American populations.

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 2004.

¹⁴ Andrew Perrin, "Welcome to the Jungle," *Time Asia*, May 5, 2003; Amnesty International *Public Statement*, No. 224, September 13, 2004; 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 According to some estimates, the U.S. Hmong population totals approximately 250,000 persons and constitutes slightly over half of the U.S. Laotian population.

¹⁶ Department of State, Bureau of Democracy, Human Rights, and Labor, "Country Reports on Human Rights Practices 2003 — Laos," February 25, 2004.

Normal Trade Relations

Legislative History. The United States and Laos initialed a bilateral trade accord in 1997 and signed it on September 19, 2003. However, the agreement could not be put into effect unless Congress granted NTR status to Laos. Unlike trade legislation for Vietnam, which allowed for *annual* renewals of NTR, trade legislation for Laos and Cambodia provided for *permanent* NTR status.¹⁷ Two bills that would extend NTR treatment to Laos were introduced in the 105th Congress but not enacted, largely due to concerns about human rights conditions. In 2001, the Bush Administration included the U.S.-Vietnam and U.S.-Laos bilateral trade agreements in its international trade agenda. Three bills were introduced in the 108th Congress — H.R. 3195, S. 2200, and H.R. 3943 — that would extend nondiscriminatory treatment to the products of Laos. The Miscellaneous Trade and Technical Corrections Act of 2004 (H.R. 1047) includes a provision (Section 2005, as reported out by the conference committee) that would grant NTR to Laos. The House and Senate agreed to the conference report on October 8, 2004, and November 19, 2004, respectively.

Arguments for and against NTR. Proponents of NTR for Laos argued that better bilateral economic relations would enhance areas in which the two countries already cooperate. They contended that greater U.S. trade and investment would bolster U.S. leverage with Laos (including U.S. pressure on human rights issues), in relation to the influences of Vietnam and China, and help strengthen the position of economic reformers within the Lao government. For the people of Laos, it was held, NTR would help raise exports and create employment (with little impact on U.S. jobs) and help lift many Laotians, including the Hmong minority, out of dire poverty.¹⁸ Furthermore, some argued, NTR would help spur the LPRD's integration into the Southeast Asian regional economy and strengthen commercial ties between Laotians and Laotian-Americans.

Opponents of extending NTR status to Laos argued that human rights conditions in the country would have to improve substantially before NTR treatment was considered. They contended that granting NTR would strengthen the communist regime, which they stated had professed friendship with North Korea and denounced the U.S.-led war in Iraq, and betray the trust of Hmong people. Some policy-makers held that enacting the bilateral trade agreement would not likely improve the livelihoods of most people in Laos, and called upon the Lao government to deepen economic restructuring. Some Members of Congress also demanded that the Lao government provide greater cooperation in investigating the disappearance of two Hmong-Americans who were last seen near the Thailand-Laos border in April 1999.¹⁹

¹⁷ Since Laos (like Cambodia) was not considered a “non-market economy” when the Trade Act of 1974 was passed on January 3, 1975, Title IV, Section 402 (the Jackson-Vanik Amendment) does not apply to Laos as it does to Vietnam. Congress extended NTR treatment to Cambodia on September 25, 1996 (P.L.104-203) and to Vietnam on October 16, 2001 (P.L. 107-52).

¹⁸ Catharine Dalpino and Edward Gresser, “Change Policy toward Laos, the Last Vestige of the Vietnam War,” *Seattle Post-Intelligencer*, April 24, 2003.

¹⁹ “Congressmen Call on Bush to Block Laos Trade Drive,” *Agence France-Presse*, April 26, 2003; Senator Russell Feingold, Floor Statement, *Congressional Record* (July 10, 2003), p. S9236.